

SUSTAINABILITY REPORT

BOARD STATEMENT

Dear Stakeholders,

BHG Retail REIT has progressed into the second year of sustainability reporting and we are delighted to share our sustainability performance for the financial year ended 31 December 2018 ("FY 2018").

As a Retail REIT, we acknowledge the impact of our business operations on the environment and society. In FY 2018, we strengthened our commitment to build a sustainable business with a view towards improving the economic, environmental and social well-being of the communities. The Board of Directors (the "Board") continue to believe that integrating sustainability in our long-term strategies will influence our business success.

We continue to uphold our commitment in managing the material Environmental, Social and Governance ("ESG") issues in our business operations. Through our reporting practices, we have embarked on taking considerable measures to reduce the impacts of these issues. This report outlines our sustainability approach and initiatives to address these ESG issues.

At BHG Retail REIT, we strive to ensure that employees' well-being and performance are always taken care of. In FY 2018, we maintained our average hours of training per employee above 30 hours. Furthermore, we have also achieved our target of ensuring all employees have received career development and performance reviews.

Corporate governance is essential in achieving sustainability goals for our business. We uphold the belief that good corporate governance is important in building a sound corporation and operating in an ethical environment, thereby

protecting the interests of all stakeholders. We believe that we can maintain integrity, transparency, accountability and discipline in all of our business activities by implementing a robust governance framework.

Looking ahead, we will progressively integrate sustainability measures into our strategy and operations. This is to be complemented by quality disclosure so as to provide our stakeholders with a holistic view of our business performance.

[102-14]

ABOUT THIS REPORT

BHG Retail REIT is proud to present its second Sustainability Report ("SR") which is in accordance with the Global Reporting Initiative (GRI) Standards: Core option - the international standard for sustainability reporting, and with reference to the Singapore Exchange Securities Trading Limited Listing Rules 711A and 711B.

The scope of this report covers the sustainability performance for the financial year ended 31 December 2018, unless otherwise stated.

[102-01][102-50][102-54]

With our inaugural sustainability report published in 2017, we intend to report our sustainability performance and progress annually. We intend to provide a holistic overview of our Environmental, Social and Governance ("ESG") performance across our business operation.

[102-51][102-52]

In-Scope Properties

The assets covered in this report are our operations in Singapore and three of our malls in the People's Republic of China ("PRC"). As we operate as a REIT, we refer to the activities and performance of the REIT Manager when discussing employee-related performance.

DEFINING REPORT CONTENT AND TOPICS

This report follows GRI-defined reporting principles for defining report content. These principles include:

- **Stakeholder Inclusiveness** - Identifying our key stakeholders and considering their expectation and interest in defining the report content
- **Sustainability Context** - Presenting our performance in the context of the limits and demands of economic, social and environmental conditions at the local, regional, and global level
- **Materiality** - Determining which topics that significantly impact our performance and influence the decisions of the stakeholders, are required to be reported.
- **Completeness** - Reporting covering all aspects of key material topics, where their impacts occur, and in which time period. [102-46]

EXTERNAL ASSURANCE

We have not sought external assurance for this report. However, we may consider doing so in the future as sustainability reporting matures. [102-56]

REPORT QUERIES AND FEEDBACK [102-53]

We hope that this report is useful for all our stakeholders, in understanding our sustainability journey, performance, and commitment to sustainable growth. For questions or to deliver feedback about this report, please contact:

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ABOUT BHG RETAIL REIT

BHG Retail REIT, listed on Singapore Exchange Security Trading Limited (the "SGX-ST"), is Singapore's first pure-play China Retail REIT sponsored by a China-based group. [102-01][102-02]

We have a diversified portfolio of five retail properties strategically located in major cities in China, namely Beijing, Chengdu, Hefei, Xining, and Dalian. We significantly operate in these locations with the REIT Manager's Office located in Singapore. [102-02][102-03][102-4][102-06]

BHG Retail REIT is managed by BHG Retail Trust Management Pte. Ltd., an indirect wholly-owned subsidiary of Beijing Hualian Department Store Co., Ltd. (the "Sponsor"). The Sponsor and Beijing Hualian Hypermarket Co., Ltd are part of Beijing Hualian Group Investment Holding Co., Ltd., one of China's largest retail enterprises with more than 20 years of retail operating experience. [102-5]

All of BHG Retail REIT's 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. [102-06]

DRIVING SUSTAINABLE GROWTH

At BHG Retail REIT, our purpose is to serve the community by enhancing our properties and delivering exceptional retail and lifestyle experience. Our strategic focus is to create long-term value and

sustainable growth by managing quality assets across the retail spectrum. Our Vision and Mission reinforce our commitment towards this purpose. [102-16]

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.

Managing Sustainability-related Risks

Managing risks that arise in our operations through a precautionary approach is the first step towards creating long-term value and driving sustainable growth.

The Chief Executive Officer ("CEO") and Compliance Manager, under the oversight of the Board, work together to manage sustainability matters within the REIT. The Board is responsible for overall risk strategy and risk governance of BHG Retail REIT. The Board is supported by the Audit and Risk Committee ("ARC"). BHG's Enterprise Risk Management ("ERM") Framework effectively manages and controls risks in the Manager's governance and operations. The ERM Framework is supplemented by an outsourced Internal Audit function which evaluates the effectiveness of the Framework. [102-18]

Risks are also managed through recovery plans implemented by each portfolio property. These plans manage any unforeseen circumstances that may interrupt the business - such as natural disasters, fire hazards, and equipment failures. The REIT Manager has also set proactive initiatives to ensure the maintenance of the premises and equipment within each portfolio property.

To manage compliance risks, the REIT Manager complies with multiple laws and regulations. The REIT Manager has implemented corporate policies and procedures to provide clear instructions for all staff to abide by in addition to ensuring that all employees are aware of the latest developments in the law through training and attendance of seminars and briefings.

[102-11]

Sustainability in Supply Chain

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 the MAS guidelines before or during the course of the engagement. In FY 2018, there has been no significant change to our supply chain, including location and changes of operations, share capital structure, the location of suppliers and structure of the supply chain. [102-9][102-10]

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External Charters and Principles

BHG Retail REIT is 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 REIT Manager is committed to upholding good standards of corporate governance.

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.

BHG Retail REIT holds membership in the Singapore Business Federation and the REIT’s management holds membership of the Investor Relations Professionals Association (Singapore). [\[102-12\]](#) [\[102-13\]](#)

STAKEHOLDER ENGAGEMENT

Strong relationships and effective communication with our stakeholders is vital to the success of our business. BHG Retail REIT recognises that with close collaboration with our stakeholders, we can create a better customer experience, maintain the company’s long-term growth, as well as create value for our business and our communities.

Even though our business activities involve a diverse range of stakeholders, we have identified

those key stakeholders to be part of our sustainability journey who are instrumental to the success of our business and have the ability to influence our sustainability performance. These stakeholders include investors, suppliers, regulators, management, and employees. We communicate regularly with our stakeholders by providing an open and transparent channel 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 2018.

[\[102-40\]](#) [\[102-42\]](#) [\[102-43\]](#) [\[102-44\]](#)

Table 1: Stakeholder Groups for BHG Retail REIT

Stakeholders	Mode of Engagement	Frequency of Engagement	Top Sustainability Concerns/Issues
Investors	<ul style="list-style-type: none"> Annual General Meeting (AGM) Analyst Meeting 	At least annually At least annually	Economic Performance Anti-Corruption Customer Health and Safety
Suppliers	<ul style="list-style-type: none"> Supplier performance feedback 	Periodically	Economic Performance Procurement practice Customer Privacy
Regulators	<ul style="list-style-type: none"> Electronic communications 	Periodically	Market presence Training and Education Anti-Corruption Compliance Customer Privacy
Management	<ul style="list-style-type: none"> Board meeting Management meeting 	Quarterly Quarterly	Economic Performance Employment Training and Education Compliance
Employees	<ul style="list-style-type: none"> Performance appraisal Staff meetings One-to-one engagements 	At least annually Monthly At least annually	Occupational Health and Safety Training and Education Equal Remuneration for Women and Men

MATERIALITY ASSESSMENT: MANAGING RISKS AND OPPORTUNITIES

In 2018, we held a Stakeholder Engagement and Materiality Assessment Workshop (“Workshop”). During the Workshop, we engaged our stakeholders to identify and prioritise material sustainability topics that impact our organisation. These topics were then reported in our 2018 SR. In the SR, we highlighted our performance for each of these topics, including how these topics are managed in the organisation and the targets for improvement for 2018. For this year, we wish to disclose our progress in these six key topics.

[102-47]



Material Aspects and Indicators Identified

Table 2: Material Aspects and Indicators Identified for SR FY 2018

Category	Topic	Disclosure Sub-topic	Impact of the Sub-topic
Economic	Economic Performance	GRI 201-1: Direct economic value generated and distributed	Within the organisation
	Market Presence	GRI 202-2: Proportion of senior management hired from the local community	Within the organisation
Social	Labour Practices and Decent Work	GRI 404-1: Average hours of training per year per employee by gender, and by employee category.	Within the organisation
	Labour Practices and Decent Work	GRI 404-3: Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	Within the organisation
Environmental	Energy	GRI 302-1: Energy consumption within the organisation	Within the organisation
	Water	GRI 303-1: Total water withdrawal by source	Within the organisation

SUSTAINABILITY REPORT

OUR HUMAN CAPITAL

Management Approach

At BHG Retail REIT, we strongly value our employees. We believe that personal development of individual employees will help enhance and develop human capital within the organisation. Hence, employee training, performance reviews and career development are considered of utmost importance within the firm. 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 2018, subject matter experts have been invited to our office to conduct several trainings. BHG Retail REIT's internal talent management process assesses the development of our employees. This is to ensure that the areas of strength and development of key personnel are identified and concurrent plans for employee skill enhancement are drawn up.

We provide refreshers and updates on regulatory compliance matters over the year to mitigate the risk of compliance breaches. 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. [\[103-1\]](#) [\[103-2\]](#) [\[103-3\]](#)

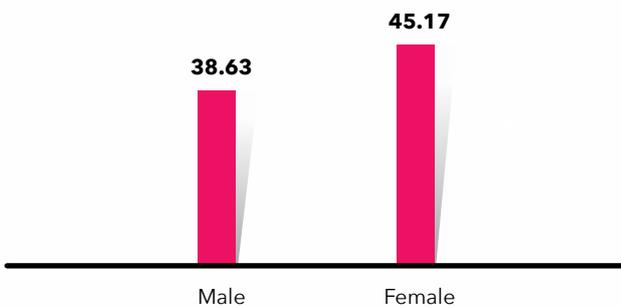
TRAINING AND EDUCATION

The Manager recognises that people contribute largely to the success of the business. In 2018, BHG Retail REIT provided a total of 291 hours of training; with 124 hours of training received by the management, and 167 hours of training received by the employees. We also ensure easy access to training for both genders, across all job profiles, highlighting the effort to also improve diversity in the workplace. In 2018, our male and female employees received a total of 155 hours of training and 136 hours of training, respectively. [\[404-1\]](#)

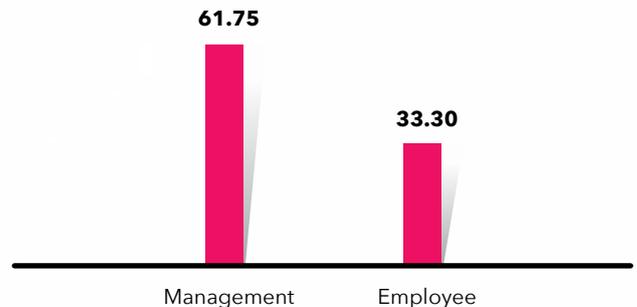
TOTAL NUMBER OF PERMANENT FULL-TIME EMPLOYEES¹



AVERAGE TRAINING HOURS PER EMPLOYEE: 41.43



AVERAGE TRAINING HOURS PER EMPLOYEE CATEGORY



¹ All our permanent employees (including our senior management) are hired from the local community [\[202-2\]](#)

Career Development and Performance Reviews

In 2018, we have achieved our target of 100 percent career development and performance reviews provided to all our employees. [404-3]

HIGHLIGHTS OF 2019 TARGETS



Career Development and Performance Reviews
Achieve 100 percent of regular performance and career development review for our employees



Training and Education
Consistently meet our internal target for Continuing Professional Development ("CPD") training.

OUR ENVIRONMENTAL CAPITAL

Management Approach

The built environment accounts for a large proportion of energy and water usage. As Retail REITs, we are conscious of how our business impacts the environment, and are committed to identify, manage and reduce these impacts.

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. [103-1][103-3]

Energy

We are continuously improving our energy efficiency to mitigate our impacts on the environment. Where possible, we take the opportunity to review and improve the practices throughout the life-cycle of our buildings. In FY 2018, the total energy consumption was recorded at 18,092 megawatt per hour ("MWh").

For energy usage, we seek continuous improvement in energy efficiency by investing in innovative and practical solutions to mitigate our environmental impacts. 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. [302-1][103-2]

Water

We are committed to reducing water consumption and encouraging the use of treated or recycled water in our daily operations. In FY 2018, the total water consumption was recorded at 182,454 m³. This year, we take several initiatives to track our water usage to conserve the resource and prevent wastage. Initiatives such as utilizing water-efficient flushing cisterns, installing motion sensor water faucets and reducing the tap flow rate are in place to manage our water consumption. [303-1][103-2]

We look forward to further our efforts to conserve energy and water conservation in our properties in year 2019.

HIGHLIGHTS OF 2019 TARGETS



- Energy**
- Maintain energy efficient lighting and equipment.
 - Continuous monitoring to optimize usage rate
 - Maintaining auto illumination system and LED lightings



- Water**
- Monitoring water consumption in toilets
 - Monitoring water usage in our properties on a monthly basis.

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OUR SOCIAL AND RELATIONSHIP CAPITAL

In 2018, several events were held to promote cultural and social inclusivity, and employee well-being.



Floristry Experience Event

Beijing Wanliu Mall hosted a floristry experience event to increase awareness on environmental friendliness and to promote floristry to the public.



Caring for Animals

Beijing Wanliu Mall hosted a "Care for Animals" charity event to increase awareness on interacting with animals for the younger generation who live in cities.



Mother's Day Event

In conjunction with Mother's Day, Hefei Mengchenglu Mall organised a Mother's Day celebration event to foster kindness in young children and improve the cultural life among the community residents.



Mid-autumn Festival Event

In conjunction with the Mid-Autumn Festival, Hefei Mengchenglu Mall organised a cultural festival event, presenting a variety of traditional mid-autumn celebration activities to the community.



Christmas Event

In conjunction with Christmas, Hefei Mengchenglu Mall hosted a kindness flea market charity to foster kindness in young children.



Little Fireman Event

Chengdu Konggang Mall hosted a "Little Fireman" event to promote and increase awareness on health and safety.



Thanksgiving Month - Public Dance Event

Chengdu Konggang Mall hosted a public dance event on March 2018 to foster kindness in young children.



Public Welfare Activities

Chengdu Konggang Mall organised an event to serve the communities around the mall with various public welfare services such as cleaning, repairing household electrical appliances, knife sharpening, haircutting, etc.

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General Standard	GRI Disclosure	Page number(s) and/or Remark(s)	Omissions
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		Refer to Annual Report
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General Standard	GRI Disclosure	Page number(s) and/or Remark(s)	Omissions
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