

2023
Sustainability
Report



 **PROSPERITY**
REIT 泓富產業信託

Stock Code: 808



Sustainability is the crux of Prosperity REIT's corporate strategy, ensuring that our business operations maintain environmental wellbeing, social equity and governance quality without compromising that of future generations. Prosperity REIT, along with its business partners and other stakeholders, always has an eye on building a sustainable future by sharing our successes through positive societal and environmental contributions.

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ABOUT PROSPERITY REIT

Prosperity Real Estate Investment Trust (“Prosperity REIT”) is the first private sector real estate investment trust (“REIT”) listed on The Stock Exchange of Hong Kong Limited on 16 December 2005. Prosperity REIT owns a diverse portfolio of seven high-quality office, commercial, industrial/office and industrial properties in the decentralised business districts of Hong Kong, with a total gross rentable area of about 1.28 million square feet. Prosperity REIT is managed by ARA Asset Management (Prosperity) Limited (“REIT Manager”).

ABOUT THE REIT MANAGER

ARA Asset Management (Prosperity) Limited is a wholly owned subsidiary of ARA Asset Management Limited (“ARA”), which is part of the ESR Group, the APAC’s leading real asset manager powered by the new economy and one of the largest listed real estate investment managers. The REIT Manager is responsible for the management and administration of Prosperity REIT, as well as the implementation of Prosperity REIT’s business strategies.



About This Report

REPORTING PURPOSE

This Sustainability Report (the “Report”) illustrates the Environmental, Social and Governance (“ESG”) management and performance of Prosperity Real Estate Investment Trust (“Prosperity REIT” or the “REIT”) in areas of sustainable development that are material to our business.

REPORTING SCOPE

All seven assets under the direct ownership and management of Prosperity REIT are included in this Report. These assets are The Metropolis Tower, Prosperity Millennia Plaza, 9 Chong Yip Street, Prosperity Place, Trendy Centre, Prosperity Center Property and New Treasure Centre Property. Unless otherwise stated, this Report covered our ESG approach and performance from 1st January 2023 to 31st December 2023 (“Reporting Year”). For information regarding our corporate governance, please refer to the Corporate Governance section of the Annual Report on page 53.

REPORTING STANDARD

This Report has been prepared in accordance with the ESG Reporting Guide (“Reporting Guide”) outlined in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (“Listing Rules”). During the Reporting Year, we enhanced our climate disclosures by adopting the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”).

REPORTING ASSURANCE

Information in this Report has been independently verified by Hong Kong Quality Assurance Agency (“HKQAA”) with respect to the aforementioned standard. Please refer to the Independent Verification Statement on page 79.

REPORTING PRINCIPLES

The report is prepared in accordance with the four reporting principles outlined in the Reporting Guide, which include:

- **Materiality:** We focus on issues that have a significant impact on our business and are important to our stakeholders. Therefore, after identifying the importance and prioritising various sustainable development issues to Prosperity REIT, we utilise them as the basis for preparing and responding to them through this Report.
- **Quantitative:** In order to evaluate our ESG performance more objectively, we provide information in quantitative terms, where appropriate. The environmental and social indicators are recorded by data collection tools, and the progress is identified and monitored.
- **Balance:** This Report discloses our achievements, areas for improvement and future action plans to provide an unbiased picture of our performance.
- **Consistency:** To ensure comparability across financial years, the methodology in this Report is consistent with previous years. If there are any changes in the measurement method or scope of data collection, a corresponding explanation will be attached in this Report.

If there is any discrepancy or inconsistency between the English and the Chinese version, the English version shall prevail.

Key Highlights



- 5-star performance rating, Green Star accreditation and an A grade public disclosure rating in GRESB 2023, for the second consecutive year
- Rated as “Low Risk” by Sustainalytics
- First HK REIT to achieve 100% sustainability-linked financing
- Increased sustainability-linked interest rate swaps



NATURE



- 100% of the portfolio awarded with green building certificates
- The Metropolis Tower attained the highest rating of “Platinum” under BEAM Plus EB Comprehensive Scheme
- Prosperity Millennia Plaza has been awarded the highest level of “Platinum” under WELL Certification
- 38% Reduction in GHG emissions as compared to 2017
- 17% Reduction in energy consumption as compared to 2017
- Replaced a chiller set with energy-efficient model at The Metropolis Tower
- Installation of rainwater collection system at Trendy Centre
- Solar panels and rainwater collection systems are fitted at all the wholly owned properties where spatially feasible



BUILDING/SERVICES



- The Metropolis Tower has won a Merit Award for Facilities Management in the Green Building Award 2023
- Prosperity REIT has been highly commended in the RICS Hong Kong Awards 2023 “Facilities Management Team of the Year”
- 3 properties have rooftop urban farm in place with approximate total area expanded from 140 m² to 165 m²
- Prosperity Place was accredited “Excellent Class” and four other properties were accredited “Good Class” under the Indoor Air Quality Certificate Scheme (all the wholly owned properties, or 82% of the whole portfolio)
- 99% Tenant satisfaction



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Key Highlights

PEOPLE

- 38% Female Directors
- 42% Female staff
- 359 Total training hours
- 89% Employee satisfaction

COMMUNITY



- Achieved the “Hong Kong Volunteer Award — Top 10 Highest Volunteer Hour” under the category of corporate with less than 100 full-time employees
- 512 Total volunteering hours
- 10 Year Plus Caring Company, for the fourth consecutive year
- 6 Years Plus ELCHK Corporate Partnership Award awarded in 2021, marked our 9th year partnership



Message from CEO

Dear Unitholders

Year 2023 witnessed a significant shift in the global landscape, with regulatory changes and developments across a breadth of sustainability aspects. Governments, investors, and communities are increasingly expecting companies to play a larger role in ensuring a sustainable future for the generations to come. At Prosperity REIT, we are committed to infusing ESG into our business operations and working hand in hand with our stakeholders for sustainable contribution.

VISION 2030

As we enter our fourth year of implementing our overarching sustainability framework for our business, “Vision 2030”, we remain focused on enhancing environmental sustainability and stakeholder wellbeing. Through our 4 key pillars of Nature, People, Building/Services and Community, we ensure our efforts can ultimately address sustainability in all aspects of our operations.

A step further from achieving 100% sustainability-linked financing, we steadily increased the portion of sustainability-linked interest rate swaps in the Reporting Year, demonstrating our continuous effort in injecting sustainability aspects into our business.

GREENING OUR OPERATIONS

We actively manage the environmental performance at our properties. Our commitment to reduce energy consumption and carbon footprint in our operation is evidenced by the various asset enhancement initiatives (“AEIs”) carried out over the decade for the purpose of improving energy efficiency. The AEIs completed in 2023, including replacing a set of chiller and pump sets in The Metropolis Tower and installing a rainwater collection tank at Trendy Centre, continue to help meeting our environmental targets, maximizing our resource efficiency while minimizing operating costs.

I am delighted to see that our continuous efforts are recognised by external stakeholders. This year, The Metropolis Tower obtained the highest BEAM Plus Platinum rating under the Comprehensive Scheme and Prosperity Millennia Plaza was granted the highest Platinum rating under WELL Certification. Other green recognitions include Merit Award for facilities management in the Green Building Award 2023 and highly commended in the RICS Hong Kong Awards 2023 “Facilities Management Team of the Year”.

Not only to bolster our future environmental endeavours, but also to minimize the impacts on our business and topline revenue from the climate change and extreme weather, we have refreshed our climate risk assessment to incorporate climate scenarios analysis for physical and transition climate risks. We have also enhanced our carbon emission inventory, with the inclusion of Scope 3 emissions from our value chain. We believe the enhancements to our disclosure will provide a stronger foundation for Prosperity REIT’s climate resilience, and a clearer pathway to decarbonisation across our value chain.

Message from CEO

ENGAGING OUR TENANTS

In addition to the inclusion of a green lease clause in our tenancy agreements, our tenant app “PREIT 808” involves our tenants in day-to-day practice to contribute to our green building targets. Our recurring “WeCycle” events, held three times in the Reporting Year, encouraged tenants with reward points and gift redemption when they participate waste recycling. Supported by our tenants, we successfully diverted over 6,600 kg of waste away from landfill, and will continue to promote such initiatives, alongside other wellness events, to cultivate a sustainability culture among tenants and pursue a sustainable future together.

CARING FOR THE COMMUNITY

We endeavour to fulfil our social responsibilities as a corporate citizen. ESR’s Employee Volunteering Leave Policy, newly enacted in the Reporting Year, motivates Prosperity REIT to increase our contributions. Throughout 2023, we have organized social initiatives and donation programmes with our community partners, tenants and employees. Our employees are encouraged to interact with all walks of life, from elderly citizens to young prospective baristas through key initiatives this year, such as collaborating with the Evangelical Lutheran Church of Hong Kong for the Soft Meal Workshop for the Elderly and furthering our partnership with OCBC to organise the More Than Coffee Program.

LOOKING AHEAD

Our team has taken on climate change and social wellbeing issues to heart. We remain committed to sustainable practice, focusing on reducing our carbon footprint, fostering diversity, and investing in our community. I am very grateful to our driven team and for their performance in 2023.

WONG Lai Hung, Mavis

Chief Executive Officer

ARA Asset Management (Prosperity) Limited
as manager of Prosperity REIT



Our Sustainability Approach

As a responsible corporate citizen, we prioritise corporate responsibility and have made a strong commitment to integrating sustainability into our culture and business practices. We believe that incorporating sustainable values into our operations is essential for long-term success. With the global climate crisis presenting both risks and opportunities, we have taken proactive measures to safeguard our businesses from climate-related risks and capitalise on sustainability trends. As part of our efforts, we have implemented a climate change policy to align with the “Circular to licensed corporations – Management and Disclosure of Climate-related Risks by Fund Managers” (“SFC Circular”) issued by Hong Kong’s Securities and Futures Commission (“SFC”).

To achieve our sustainability mission and implement our sustainability strategies into daily operation, we have established the Sustainability Steering Committee with experienced taskforces, and aligned our corporate strategies with sustainability aspirations and goals with the United Nations Sustainable Development Goals (“UNSDGs”) and global best practices. Our “Vision 2030” outlines our sustainability principles and targets, and refer to relevant UNSDGs. Our parent group, ESR Group, is aspired to become a carbon neutral business and adopts a group-wide Net Zero Carbon Policy. As a member of the ESR Group, Prosperity REIT shares a sustainability commitment to include ESG considerations within our asset management and investment decisions.

VISION AND MISSION

Excellence, Inclusion, Entrepreneurship, and Sustainability are our core values developed from the mission of ESR Group. These values serve as the cornerstone of our sustainability vision and mission and guide our business decisions.

VISION STATEMENT

Commit to be a responsible corporate citizen by building a sustainable environment and enhancing the wellbeing of our stakeholders through our core values.

MISSION STATEMENT

Prosperity REIT will spare no effort to embed environmental and social friendly measures in our day-to-day operations through:

- Reducing our impact on environment and society
- Ensuring our business operates and grows responsibly and sustainably
- Bringing value to the community

Our Sustainability Approach

CORE VALUES

EXCELLENCE

We strive for excellence in every aspect of our business. We maintain high standards of performance and accountability, and we seek to learn, explore and improve continuously.



INCLUSION

We embrace diversity, equity and inclusion in the workplace. We believe trust and mutual respect among colleagues, partners and stakeholders are cornerstones of growth and success.



ENTREPRENEURSHIP

Our entrepreneurial spirit reflects our passion, courage and desire to succeed, and ultimately drives the creation of opportunities and the delivery of superior outcomes in a competitive marketplace.



SUSTAINABILITY

Sustainability is central to our mission because we aspire to improve the environmental prospects of our planet. Our responsibilities to stakeholders, local communities and the world at large grow in tandem with our business. Accordingly, we commit to lead and embrace the highest standards of governance in forging a path to become a carbon neutral business.



Our Sustainability Approach

SUSTAINABILITY STRATEGY





We adopt a holistic approach in our sustainability strategies and business decisions. Our ESG management focuses on 4 key pillars that are core to our operations — Nature, People, Building/Services and Community. We aim to incorporate sustainable practices in all business operations and positively impact stakeholders.










Our Sustainability Approach

SUSTAINABILITY VISION 2030

Prosperity REIT's "Vision 2030" aligns our sustainability roadmap with the UNSDGs. To tackle the sustainability challenges, we seek to collaborate with various stakeholders to scale up our efforts. We closely monitor the implementation and progress of the targets in the following four areas, and report to the Board of Directors of the REIT Manager (the "Board") on a regular basis.

UNSDG	Pillars	ESG Topics	Targets/KPIs (by 2030)	Progress in 2023
   	Nature	Green buildings	<ul style="list-style-type: none"> Expand green building certification at the asset level 	<ul style="list-style-type: none"> 100% of our property portfolio's total GFA recognised with external green building certification "Platinum" rating under BEAM Plus Comprehensive Scheme achieved at The Metropolis Tower "Platinum" rating under WELL Certification achieved at Prosperity Millennia Plaza
		Greenhouse gas ("GHG") emissions	<ul style="list-style-type: none"> Reduce 14% and 20% Scope 2 GHG emissions in our properties* by 2025 and 2030 respectively, using our 2017 performance data as the baseline 	<ul style="list-style-type: none"> Replacement of a chiller set at The Metropolis Tower Solar panels are fitted at all of our wholly owned properties where spatially feasible Reduced 38% GHG emissions in our properties compared to 2017
		Energy efficiency	<ul style="list-style-type: none"> Reduce 14% and 20% energy consumption in our properties* by 2025 and 2030 respectively, using our 2017 performance data as the baseline 	<ul style="list-style-type: none"> Replacement of a chiller set at The Metropolis Tower Solar panels are fitted at all of our wholly owned properties where spatially feasible Reduced 17% in energy consumption in our properties compared to 2017
		Water management	<ul style="list-style-type: none"> Reduce 2% and 5% water consumption in our properties* by 2025 and 2030 respectively, using our 2017 performance data as the baseline 	<ul style="list-style-type: none"> Installation of rainwater collection system at Trendy Centre 98% increase in rainwater capture and recycling in 2023 compared to 2022 Reduced 8.5% water consumption from municipal supply in our properties compared to 2022
		Waste management	<ul style="list-style-type: none"> Identify effective waste reduction, separation and recycling opportunities Increase recycling rate 	<ul style="list-style-type: none"> Waste audit was conducted Full implementation of regular incentivise waste recycling programmes for tenants' participation
		Climate change	<ul style="list-style-type: none"> Implement TCFD-aligned climate-related disclosures in our 2024 Sustainability Report 	<ul style="list-style-type: none"> Conducted risk assessment and scenario analysis Implemented TCFD-aligned climate disclosures

Our Sustainability Approach

UNSDG	Pillars	ESG Topics	Targets/KPIs (by 2030)	Progress in 2023
   	People	Occupational health and safety	<ul style="list-style-type: none"> Maintain zero work-related fatality and injury rate Enhance the health and safety practices in the operations 	<ul style="list-style-type: none"> Continuously reviewed the occupational health and safety performance of our Property Manager to ensure their operations comply with labour policies and other applicable local laws and legislations Total training hours of Property Manager's staff on health and safety issue: 2,045 hours Zero work-related fatality and injury rate
		Diversity, Equity & Inclusion ("DEI")	<ul style="list-style-type: none"> At least 30% female Directors At least 40% female representative of total employees Promote work diversity and inclusiveness 	<ul style="list-style-type: none"> 38% female Directors 42% female representative of total employees Lunch talks were organised for our employees to promote DEI
		Employee wellbeing	<ul style="list-style-type: none"> Encourage better employee health 	<ul style="list-style-type: none"> Lunch talks on physical health and injury prevention were organised for our employees Organised brisk walk and massage sessions for our employees
		Employee engagement	<ul style="list-style-type: none"> Provide more communication channels for our employees to encourage them to express their opinions and thoughts 	<ul style="list-style-type: none"> Employee satisfaction survey was conducted with 89% satisfaction rate
		Employee development/ Staff training and education	<ul style="list-style-type: none"> By 2025, increase employee training hours by 20% using our 2020 performance data as the baseline Disclose qualitative performance on ESG related trainings Provide ESG-related trainings to the Board and all employees 	<ul style="list-style-type: none"> Total employee training hours: 359 hours 100% of the REIT Manager's staff attended ESG-related trainings Over 80% of the REIT Manager's staff achieved professional ESG-related qualification Training sessions on anti-corruption and business ethics were arranged for directors and the REIT Manager's staff
  	Building/ Services	Supply chain management	<ul style="list-style-type: none"> Conduct supply chain risk assessment Continue to strive for zero corruption case 	<ul style="list-style-type: none"> Suppliers are required to sign and follow our safety regulations as included in the tendering and quotation documents Green Purchasing Plan, Green Cleaning Plan and Integrated Pest Management Plan are in place at property level Property Manager's employees received anti-corruption training
		Tenant satisfaction	<ul style="list-style-type: none"> Enhance tenant satisfaction on a continuous basis 	<ul style="list-style-type: none"> Tenant satisfaction survey was conducted with 99% satisfaction rate
		Tenant wellness	<ul style="list-style-type: none"> Raise awareness of tenant's health and safety Maintain IAQ certificates for all wholly owned properties 	<ul style="list-style-type: none"> Trainings were provided to Property Manager's staff to raise the hygiene and first-aid awareness and protect the health of our tenants All the wholly owned properties were accredited "Excellent Class" or "Good Class" under the Indoor Air Quality Certificate Scheme
 	Community	Community investment	<ul style="list-style-type: none"> By 2025, increase volunteer hours by 20% using our 2020 performance data as the baseline Extend partnership with different community sectors Promote healthy lifestyle within the community 	<ul style="list-style-type: none"> Various Hand-in-Hand CSR activities were organised with NGOs and/or local community Expanded partnership with OCBC to organise community activities, together with Evangelical Lutheran Church of Hong Kong — "More Than Coffee" Programme Volunteer hours: 512 hours Achieved the "Hong Kong Volunteer Award – Top 10 Highest Volunteer Hour" under the category of corporate with less than 100 full-time employees

* The scope of target covers the environmental impacts generated from Prosperity REIT's property management operations only and does not include tenant performance.

Stakeholder Engagement and Materiality Assessment

COMMUNICATION WITH STAKEHOLDERS

Our stakeholders (including unitholders, tenants, vendors, service providers, suppliers, employees, and the broader community) play a vital role in our business decision-making. Through frequent communications and regular stakeholder engagements, we actively seek our stakeholders' valuable perspectives and opinion for incorporation in our long-term sustainability strategy, and address any concerns or issues they raise (including climate-related risks), fostering strong and enduring relationships with them.



UNITHOLDERS

- General meetings and seminars
- Results briefings
- Corporate website
- Investor conferences/meetings
- Property tours
- Regular Unitholder Reports and Sustainability Reports
- Newsletters
- LinkedIn



TENANTS

- Increase publicity/exposure of tenants in sales booth
- Organise festive events to enhance footfall
- Interactive events (e.g. seasonal promotion events)
- Tenant satisfaction surveys
- Tenant App "PREIT 808"
- Tenant visit/meetings



VENDORS, SERVICE PROVIDERS, SUPPLIERS

- Suppliers assessment and feedback
- Safety briefings and declarations
- Meetings
- Site visits



EMPLOYEES

- Corporate trainings
- Employee satisfaction surveys
- Annual performance review
- Face-to-face meetings
- Staff engagement events (e.g. annual dinner, team building activities, volunteering work)



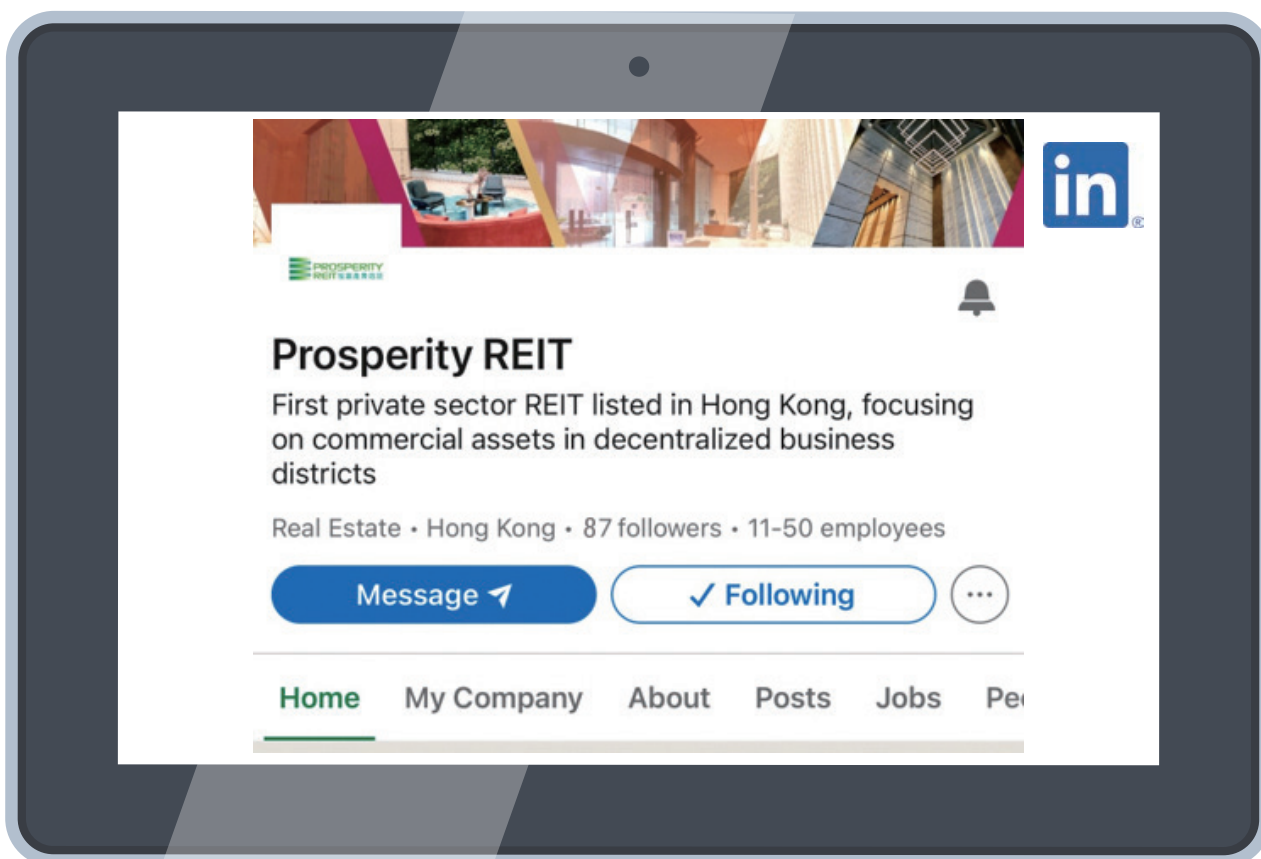
COMMUNITY

- Community work
- Sponsorship and learning programme

Stakeholder Engagement and Materiality Assessment

We recognize that the ongoing support of our unitholders is crucial to the success of Prosperity REIT. To cultivate a trusting relationship and maintain transparency and fairness in our corporate governance practices, we actively engage with our unitholders on a regular basis, including frequent and informative updates on our financial and sustainability performance.

We are excited to announce the launch of our new LinkedIn page in 2023. With a focus on engaging with stakeholders, Prosperity REIT aims to leverage this professional networking platform to share timely and relevant information about our latest developments and sustainability initiatives.



MATERIALITY ASSESSMENT

Our materiality analysis forms the basis of our long-term sustainability strategy. The assessment helps us identify and gain a deeper understanding of which sustainability issues are most significant to our operations. In this Reporting Year, we built on the foundation of our stakeholders survey, and engaged a third-party consultant to conduct an annual benchmark of our materiality matrix against industry peers, while taking market trends into account. The finalised matrix was approved by the Board and referenced for this Report. We will continuously review and update the materiality matrix to ensure its relevancy to our company and stakeholders.

Stakeholder Engagement and Materiality Assessment

ENVIRONMENTAL

1. Energy efficiency
2. GHG emissions reduction
3. Waste management
4. Water management
5. Climate change risk and adaptation
6. Green building design and infrastructure

SOCIAL – EMPLOYMENT AND LABOUR

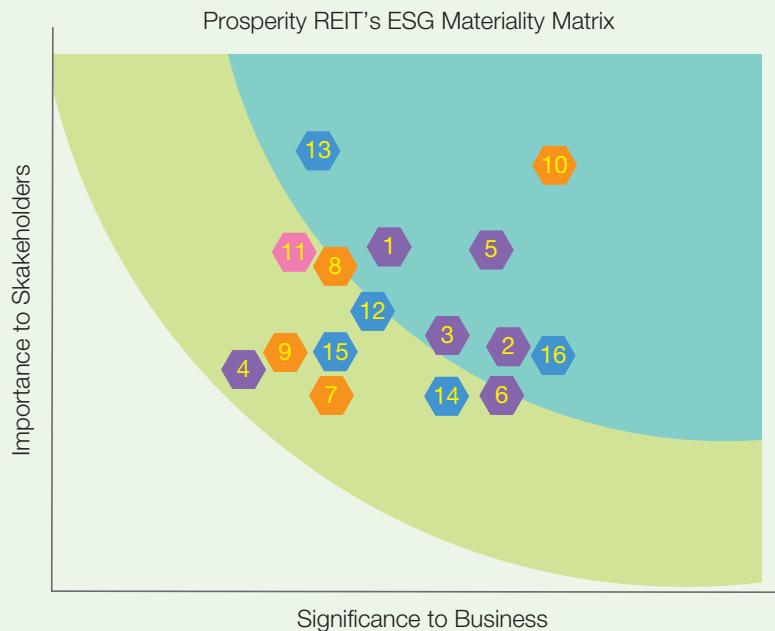
7. Equal opportunities, anti-discrimination and inclusivity at workplace
8. Employment relations and labour standards
9. Training and development
10. Occupational health and safety

SOCIAL – COMMUNITY

11. Community investment and engagement

GOVERNANCE – OPERATING PRACTICES

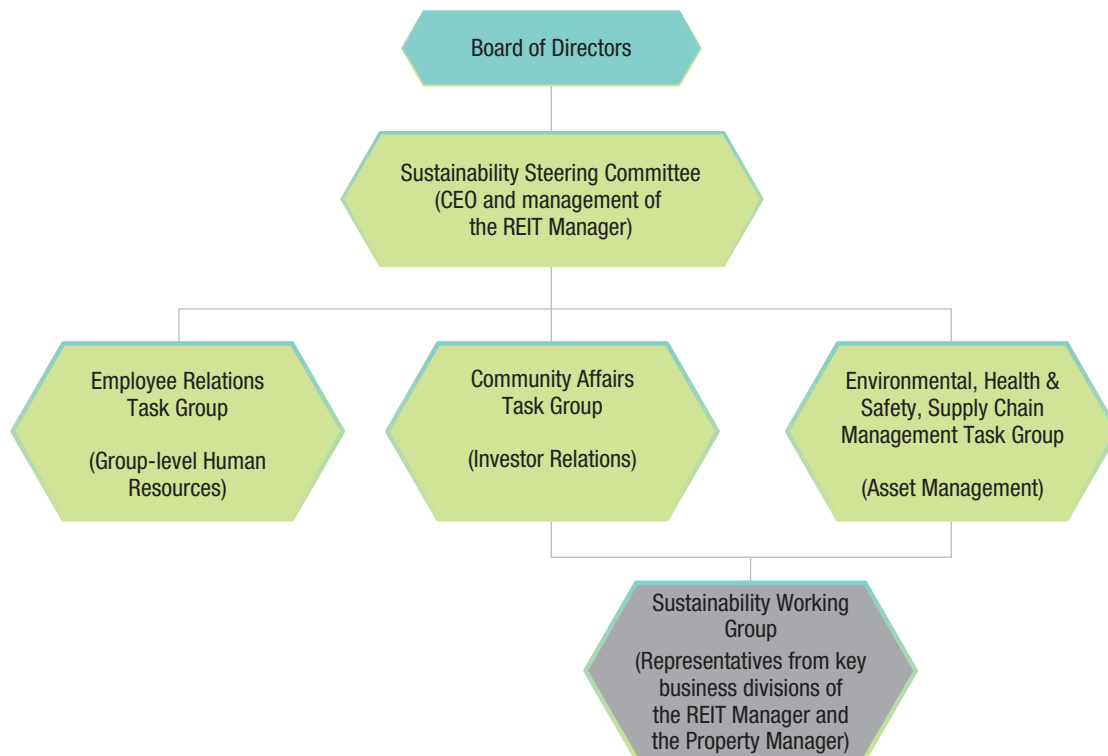
12. Business ethics
13. Data privacy protection for tenants
14. Supply chain management
15. Tenant satisfaction
16. Tenant health and safety



The importance of the management of climate risk and adaptation and the concerns about climate change and environmental issues have been increasing in Prosperity REIT's operations. Therefore, the topic "Climate Change" has been updated to "Climate Change Risk and Adaptation" to reflect our updated outlook. Furthermore, the importance of Green Building Design and Infrastructure has grown substantially in response to climate change and market expectation for more sustainable and efficient buildings, as evident in the effort in green buildings initiatives carried out by us. Consequently, the ranking for "Climate Change Risk and Adaptation" and "Green Building Design and Infrastructure" have been updated to reflect the higher importance level placed by the management.

Our ESG Governance and Management

SUSTAINABILITY FRAMEWORK AND STRUCTURE



BOARD STATEMENT

The Board attaches great importance to sustainability matters and climate-related risks and opportunities. The Board provides strategic guidance on the overall sustainability matters, including climate-related and diversity, equity and inclusion related issues, as well as the identification and management of sustainability and climate-related risks and opportunities on an annual basis.

Sustainability matters are evaluated and prioritised through an annual materiality assessment. The result of the assessment is incorporated into the REIT's strategies and programmes. Please refer to the Materiality Assessment section of this Report for details.

Incorporating sustainability strategies into the management vision, the Board has approved a set of sustainability-related targets. To monitor the progress towards accomplishing these targets, sustainability factors have been included in the annual performance targets of relevant personnel.

SUSTAINABILITY STEERING COMMITTEE

To enhance the integration of sustainability considerations into business decisions, a Sustainability Steering Committee has been formed to support the Board in establishing long-term targets and annual priorities within our sustainability roadmap. The Committee comprises of senior executives from various departments, along with 3 dedicated taskforces that oversee employee relations, community affairs, environmental impact, health and safety issues, and supply chain. The taskforces review and update our policies, monitor our sustainability performance, and develop plans to ensure continuous improvement on sustainability aspects. The Committee held 5 meetings during the Reporting Year to review our sustainability performance, including climate change-related risks and opportunities.

Our ESG Governance and Management

SUSTAINABILITY WORKING GROUP

To ensure our sustainability visions are integrated into our business operations, the key business divisions of the REIT Manager and the Property Manager collaborated to form a Sustainability Working Group. Sub-groups are formed from time to time to focus on different areas, such as green and recycling, urban farm, wellness and digitalisation. Over 80% of the REIT Manager's employees have achieved a professional ESG-related qualification, such as BEAM Professional, Certified Environmental, Social and Governance Analyst® ("CESGA") and Certified ESG Planner® ("CEP"), and are well equipped to contribute to different sub-groups.

The Working Group reports to and seeks guidance from the Sustainability Steering Committee. It executes and monitors sustainability initiatives and updates the Sustainability Steering Committee on sustainability performance. It also leads sustainability reporting and facilitates the consolidation of data and information for disclosure purpose. In addition, the Working Group is also committed to developing our internal capacity on sustainability-related risks and opportunities. It supports and organises sustainability-related events and works closely with different stakeholders to drive sustainable development in the society.



Our ESG Governance and Management

ESG POLICIES AT A GLANCE

Our ESG policies and requirements align with group-level policies. These policies include:

General	
<p>ESR ESG Policy</p> <p>Prosperity REIT Sustainability Policy</p>	<p>We strongly believe that adopting socially responsible and sustainable practices are key to our company’s long-term success. We are committed to adhering to global best practices and sustainability standards to push progression in our environmental performance and reflect our core values in operations that affect our community, environment, tenants, staff, and unitholders. Premised on these core values, our strategy focuses on growing our business responsibly and sustainably and benefitting the community. These policies have also set out the formal commitment of our parent group to the United Nations-supported Principles for Responsible Investment and net zero.</p>
Environmental	
<p>ESR Environmental Resource Management Policy</p> <p>ESR Environmental Protection Policy</p> <p>Prosperity REIT Environmental Policy</p>	<p>We implemented effective and pragmatic measures to reduce our environmental impact, including environmental management systems/GHG emission and management, energy consumption and management, water consumption and management, waste management, environmental compliance and indoor environmental quality, biodiversity mitigation, sustainable procurement and building materials sourcing and environmental education.</p>
<p>Prosperity REIT Environmental and Social Due Diligence Policy for Property Investment</p>	<p>Due to the increasing importance of environmental and social sustainability, we take sustainability factors into consideration in our future property investment decisions and monitor operations of our Property Manager. We are committed to minimising environmental damage and maximising social and economic benefits that arise from our operations by implementing effective due diligence processes towards our prospective investment projects.</p>
<p>ESR Net Zero Carbon Policy</p> <p>ESR Energy and Emissions Management Policy</p>	<p>ESR is committed to managing operations in alignment with net zero emission pathways, and has set out a decarbonisation roadmap to achieve carbon neutrality by mitigating operational (Scope 1 and 2) and embodied (Scope 3) carbon emissions by 2035, with the long-term aim to achieve net zero carbon across the value chain by 2050. As part of the ESR Group, Prosperity REIT is committed to be part of the roadmap and reduce the GHG emissions in our operations towards the pathway.</p>
<p>ESR Climate Change Adaptation, Mitigation and Resilience Policy</p>	<p>We are committed to adopting a holistic approach towards reducing physical vulnerability and enhancing the resilience of our assets and operations. We evaluate climate-related risks, identifies opportunities, and enhances the resilience of our business to the impacts of climate change.</p>



Our ESG Governance and Management

Social	
Prosperity REIT Stakeholder Engagement Policy	We believe that it is crucial for us to communicate effectively and openly with our stakeholders in order to better understand their concerns on all environmental, social and governance issues, including climate-related concerns and identify the best ways to deliver our sustainability goals. We engage our stakeholders in in-depth discussions to understand their objectives and are committed to responding to them effectively and promptly.
ESR Human Rights Policy Prosperity REIT Labour Policy	We care for our employees deeply and ensure that all individuals are respected and treated equally. ESR Human Rights Policy outlines our commitment in safeguarding labour rights, prevention of modern slavery, protection of occupational health, safety, and wellbeing. Our Labour Policy is designed with reference to internationally recognised principles and guidance, promoting equality and diversity, and to prevent the use of child or forced labours.
ESR Diversity, Equity & Inclusion Policy	We adopt a fair employment procedure based on DEI, where recruitment is only based on merit, regardless of age, race, gender, religion, national origin, sexual orientation, family status, disability, medical condition or other characteristics. We strive to foster a respectful workplace through the provision of equal opportunities. Rewards and promotions are only based on ability, performance, contribution, and experience.
Prosperity REIT Health, Safety and Wellbeing Policy	We adopt a Health, Safety, and Wellbeing Policy with the purpose of reducing adverse effects our business activities have on the health and safety of employees and individuals in the communities we operate in. We value the health and safety of our employees and work to provide a safe working environment. Our Drug-Free Workplace Policy also prohibits any illegal use of drugs in the workplace.
Performance Appraisal	Our Open Appraisal System allows supervisors to evaluate their subordinates and subordinates to express their views on their tasks. Through discussing their performance and expectations on their working conditions, trainings and future career development on annual basis, both parties can identify areas of improvement and formulate better ways to work together.
Career Development	We invest in the career development and personal growth of our employees. We provide our employees with a variety of training programmes based on our business needs. Employees are encouraged to attend conferences and seminars to enrich their knowledge of latest developments in the industry and network with other professionals. We also offer sponsorships to employees who wish to pursue further education.
Remuneration, Compensation and Benefits	To retain our talent, we conduct salary reviews annually to ensure that the remuneration package is competitive enough. A wide range of compensation and incentives, such as bonuses, employee retirement benefit, leave benefit, medical consultations, dental, health benefits and insurance benefits are offered to attract more talent and retain employees.
ESR Community Development Policy	Our business activities have direct and indirect impacts on the livelihoods and quality of life of our employees as well as our communities. We aim to contribute positively to the communities in where we operate, to deliver long-term sustainable growth of the business.

Our ESG Governance and Management

Governance	
ESR Anti-Bribery & Anti-Corruption and The Handling of Gifts, Travel & Entertainment Policy	We prohibit all forms of misconduct including bribery, anti-competition, fraud and corruption. All employees are required to fully comply with the code of conduct and to behave in a way that aligns with our core values.
ESR Anti-Money Laundering and Counter Terrorist Financing Policy	We have put in place effective policies and procedures to address anti-money laundering and counter-terrorist financing requirements in conducting business and operations, particularly with focus on our potential investors and customers.
ESR Code of Conduct and Business Ethics Policy	The Code covers a wide range of business practices and procedures and emphasises the principles of discipline and good conduct. All directors and employees must conduct themselves accordingly. It is also expected that contractors and suppliers will comply with the relevant parts of the Code when performing work for or on behalf of us.
ESR Conflict of Interest Policy	We avoid and mitigate competing influences that may adversely affect decision-making and outcomes. Employees are required to act with integrity and use good judgement. Potential conflicts will be escalated and managed appropriately.
Employee Trading and the Handling of Inside Information	We have effective policies and disclosure procedures in place that provide guiding principles on handling insider information and employee trading. Employees are required to handle insider information with care and strict confidentiality.
ESR Sustainable Procurement Policy	Sustainable procurement is becoming more relevant due to unsustainable consumption and production practices. Beyond the environmental impact, these activities have far-reaching effects on our societies and economies.
ESR Whistleblowing Policy	We require our employees and encourage business partners to report concerns about misconducts through our reporting channels. All information received will be treated with the highest confidentiality and the whistleblower can choose to remain anonymous in the report.
Board Composition and Diversity	We have listed out our expectation of board composition and diversity in Prosperity REIT's Compliance Manual. To improve board efficiency and corporate governance, various elements, such as gender, age, cultural and educational background, and professional experience, will be considered when determining board diversity. The composition of the board will be periodically evaluated to ensure it possesses a well-rounded combination of skills, expertise, experience, and diverse viewpoints that align with the needs of Prosperity REIT and the REIT Manager. The appointment of directors will prioritise individuals with the necessary expertise and experience to fulfill their responsibilities effectively.

RISK MANAGEMENT

To meet our financial goals, we recognise the significance of mitigating business risks through effective risk management. We have established and upheld a standardised Enterprise Risk Management ("ERM") system that aligns with our parent group. The ERM framework encompasses risk governance, risk infrastructure and supervision of risk ownership, provides transparent structures of responsibility and accountability to facilitating effective risk management.

Our ESG Governance and Management

REGULAR RISK MANAGEMENT REPORTING AND CONTROLS AT PROSPERITY REIT

The Audit Committee and the Board are provided with bi-annual reports, detailing our REIT level risk profile, highlighting the updates in the risk assessment, quantitative and qualitative factors impacting inherent risk levels, as well as the effectiveness of mitigating controls for residual risks.

Asset level risk assessment have been aligned with a third-party standard ISO 31000. Topics identified include but are not limited to:

Topic in asset level risk assessment controls	Content
Building safety	To assess the likelihood and impacts of violating the Building Ordinance (Cap. 123) and conduct mitigation measures, e.g. the safety of occupants and building hygiene.
Compliance with regulatory requirements	To assess the likelihood and impacts of violating the Hong Kong Ordinances related to property operation and management.
Energy supply	To assess the likelihood and impacts of violating the Electricity (Wiring) Ordinance (Cap. 406E) and conduct mitigation measures, e.g. 5—yearly maintenance plan and regular technical audit.
Flooding	To assess the likelihood and impacts of flooding in the assets, e.g. flooding in common areas which may result in slip and fall injury accidents and property loss and conduct frequent inspection and cleaning during rainstorm and typhoon.
Health and wellbeing	To assess the likelihood and impacts of violating the Public Health and Municipal Services Ordinance (Cap. 132) and conduct mitigation measures such as third parties' safety and public hygiene.
Natural hazards	To assess the likelihood and impacts caused by natural hazards, e.g. collapsing of trees during rainstorm or typhoon and conduct mitigation measures such as visual inspection of trees.
Socio-economic concerns	To assess the likelihood and impacts of vulnerability to pandemics and epidemics and conduct mitigation measures, e.g. cleaning and disinfection with diluted bleach at common area and facilities.
Water supply	To assess the likelihood and impacts of violating the Waterworks Ordinance (Cap. 102) and conduct mitigation measures, e.g. the enhancement of water safety and water supply.

SUPPLY CHAIN MANAGEMENT

We are committed to identifying and addressing environmental and social risks in our supply chain.

Our ERM system within the supply chain is incorporated with environmental and social hazards, which are identified through risk assessment. The Property Manager assumes responsibility of regularly updating the risk assessment control at the asset level in respect of each of the properties within Prosperity REIT portfolio.

The risk profile of the REIT is reported at least twice a year to both the Audit Committee and the Board.

Our ESG Governance and Management

We are committed to selecting and managing our suppliers that adhere to high sustainability standards, to effectively address the environmental and social risks identified within our supply chain.

Our selection criteria for suppliers include terms from our Environmental Policy that are designed to improve environmental performance. For instance, we prioritise suppliers that provide sustainable building materials, such as those from recycled content and with low carbon sources. We also evaluate the environmental performance of our suppliers on a regular basis. Our Sustainability Policy serves to inform our suppliers, contractors, and business partners of our sustainability-related policies. The Sustainability Steering Committee, together with the Environmental, Health & Safety and Supply Chain Management Task Group, oversee, monitor, and evaluate the relevant sustainability issues arising from the supply chain and review the policy regularly to align Prosperity REIT's practices with the latest developments.

We have adopted the Green Purchasing Policy, which stipulates environmental requirements and standards for contractors and consultants at the property management level, fostering an environmentally conscious culture in our portfolio. The Policy lists out products that meet certain specifications, promoting green purchasing in daily operations. The Asset Management Team of the REIT Manager and managerial employees of our Property Manager ensure the employees' understanding and compliance with the Policy and offer support when necessary. Meanwhile, we are exploring more environmentally friendly purchasing options and opportunities that are economically feasible.

We strictly comply with the Group Supplier Code of Conduct, which sets out different sustainability standards when conducting business with our suppliers. We aim to maximise value creation along the supply chain while putting our sustainability initiatives into practice through adopting corresponding REIT level policies.

To better manage environmental and social risks, suppliers including contractors are required to follow the environmental protection as well as health and safety rules and adopt the necessary control measures to minimise the potential impact brought to the environment and its employees. For instance, as stipulated in the Health and Safety Rules for Contractor, contractors are required to provide adequate training with suitable personal protective equipment. Health and safety training is regularly provided to the staff of the Property Manager. In 2023, 100% of Property Manager's staff participated in health and safety training. To monitor contractors' compliance with these environmental and social requirements, checks are performed by independent safety consultants, as well as representatives from key business divisions of REIT Manager and Property Manager. External property management company is required to align with professional standards including ISO 14001/ISO 45001.

In 2023, we engaged one property management company and around 226 suppliers (including those directly engaged by the REIT Manager and those engaged by the Property Manager for the operation of the REIT) which are all based in Hong Kong where all the mentioned practices were implemented.

Geographical region	Number of suppliers
Hong Kong	around 226

0 non-compliance cases in the supply chain management reported



Our ESG Governance and Management

BUSINESS ETHICS

We adhere to the Prevention of Bribery Ordinance (Cap. 201) and adopt a strict zero-tolerance stance towards all types of misconduct including corruption, fraud, bribery, money-laundering and anti-competition, as well as any non-compliance of sustainability laws and regulations. Throughout the Reporting Year, no allegation of misconduct have been reported. We have implemented a compliance framework comprising of coherent policies, checklists and trainings to monitor regulatory requirement and manage compliance risks.

The Board holds the primary responsibility for the overseeing business ethics and corruption issues within Prosperity REIT and the REIT Manager. Through the Audit Committee, the Board conducts semi-annual reviews to assess the effectiveness of risk management and internal control systems across all operations of Prosperity REIT, which cover all material controls including anti-corruption and business ethics, with each key operational area being reviewed once every two years. To ensure an independent assessment of the REIT's risk management and internal control systems and operational functions, including issues related to anti-corruption and business ethics, and reviews of their effectiveness, we have established an internal audit function that operates under the direct supervision of the Audit Committee. The Internal Auditor in consultation with, but operating independently from management, develops an audit plan using a risk-based approach for review by the Audit Committee. The audit review focuses on operational and compliance controls within the REIT, and effective implementation of the risk management and internal control systems, and compliance procedures.

All employees (including part-time) and contractors are obligated to adhere to our Code of Conduct and Business Ethics Policy, Conflicts of Interest Policy, Whistleblowing Policy, Employee Trading and The Handling of Inside Information Policy, Anti-Bribery & Anti-Corruption and The Handling of Gifts, Travel & Entertainment Policy and Anti-Money Laundering and Counter Terrorist Financing Policy. The Anti-Bribery and Anti-Corruption and The Handling of Gifts, Travel & Entertainment Policy provides employees with clear guidance on the declaration procedures based on the monetary value of gifts. Any misconduct including bribery is not tolerated and will be subjected to disciplinary actions including termination and dismissal. While our employees are required to complete annual declarations to acknowledge their compliance with these policies, contractors are obligated to declare conflict of interest upon tender submission.

In accordance with our Whistleblowing Policy, we have established a formal confidential grievance reporting and escalation channel that offers legal protection to all employees (including part-time), contractors and any other persons, to report any suspected and actual irregularities, frauds, corruption and workplace misconduct. The Whistleblowing Policy provides clear guidance on the reporting structure and the parties responsible for handling reports. All information received will be handled with the utmost confidentiality and the whistleblower has the option to remain anonymous in the report.

Our training program on ethical issues covers all employees (including part-time). All employees are trained when they newly join the company and regularly during their employment. In 2023, we have arranged trainings on anti-corruption and ethics to improve directors' and employees' understanding of business ethics. We also ensure that contractors including our Property Manager provide training on ethical standards such as content on anti-corruption. We strive to regularly reinforce our ethical standards to suppliers and contractors through communication.

Caring for Community

GIVING BACK TO SOCIETY

As we run our business, we continue to give back to the society. To facilitate a better understanding of our stakeholders' needs and fulfil their expectations, we have in place our Stakeholder Engagement Policy. Within this policy, we have meticulously outlined our objectives for engaging with each stakeholder group, presented the methods we employ to effectively interact with them, and identified the key interests that drive their engagement. Our goal is to create a positive social impact by actively participating in community service activities. In 2023, Prosperity REIT continued to be awarded the 10 Years Plus Caring Company Logo for four consecutive years, an award scheme organised by the Hong Kong Council of Social Service in recognition of our outstanding performance in community service; and received the corporate partnership award in 2021 making our 9th year partnership with Evangelical Lutheran Church of Hong Kong ("ELCHK").



Caring Company logo – 10 year+ (for the 4th consecutive year)



ELCHK Corporate Partnership Award – 6 years+ (awarded in 2021)

INVOLVING OUR STAFF

We promote and motivate our employees to take an active role in making positive contributions to society and strive for a harmonious work-life balance. This year, the ESR Employee Volunteering Leave policy was introduced to encourage our staff in participating in meaningful community works. The policy is designed to allow our employees who possess a strong philanthropic spirit to further contribute to the community. All eligible employees are entitled to up to two days of paid leave annually for engaging in volunteer activities sponsored by the ESR Group.

Throughout the Reporting Year, our staff actively engaged in diverse community initiatives, dedicating a total of 512 volunteer hours. In recognition of our efforts, we have been awarded the "Hong Kong Volunteer Award – Top 10 Highest Volunteer Hour" under the category of corporate with less than 100 full-time employees.



Caring for Community

More Than Coffee

To effectively manage our programs and promote sustainability within the community, Prosperity REIT actively collaborates with our esteemed business partners. By joining forces and combining our resources, expertise, and aligning our shared values, we aim to foster prosperity, enhance the wellbeing of the communities we serve, and ultimately support youth development in Hong Kong.

First Chapter: Coffee Workshop

In our efforts to create a positive impact in society, we joined forces with OCBC Hong Kong, to support the coffee barista dreams of underprivileged youths in ELCHK. We organized a coffee workshop where the participating youth guided corporate volunteers in latte art and hand-drip coffee techniques. Furthermore, a bazaar showcasing coffee and handmade products was arranged aiming to nurture the entrepreneurial spirit and creativity of youths.



Second Chapter: Latte Art Competition

Our collaborative efforts have yielded great success in organizing the Hong Kong Youth Latte Art Competition ("HKYLAC") 2023 with ELCHK. HKYLAC is the one of the most sizable annual latte art competitions in Hong Kong which the ELCHK collaborated with various local corporates and sponsors from the coffee industry to hold the latte art competition. There were a total of 128 youths who participated in the 2-day competition and they managed to showcase a wealth of captivating latte art masterpieces as a result of their countless hours of practice and dedication. The youth participants have a chance to network with the professionals in the coffee industry via the event which can assist them in pursuing their dreams and building up their confidence of becoming baristas as a career.



Caring for Community

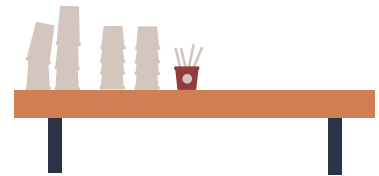


Waldron Tang "Participant — Advanced"

From learning latte art to immersing myself in the coffee industry, I always want to meet like-minded friends and expand my network through participating in coffee-related activities or competitions. That is the main reason why I participated in this "More than Coffee" events, where my coffee dreams come true.



Apart from latte art competition, the "More than Coffee" events also consist of a coffee workshop and bazaar. In organising the bazaar, it helped us polish our communication skills in order to achieve successful product sales. We can also share our coffee knowledge and latte art skills with others. When I see guests enjoying the taste of coffee with a happy smile, it brings me satisfaction.



Martin Lam "Participant — Beginner"



Caring for Community



Soft Meal Workshop For The Elderly

We organised a workshop at ELCHK's nursing home, where we prepared nutritionally balanced meals to ensure that elderly people with swallowing difficulties could enjoy the delicious meals alongside with their families. We aim to promote the culture of soft meals for the elderly and community through this workshop.

Our volunteers, along with the caretakers, cooked soft meals such as "Teriyaki Chicken Wings" and "Ketchup Shrimp" and delivered the meals to those in need.



Caring for Community

Goodwell Sharing Joy • Loving Elderly 2023

To spread joy and positivity to our community, we have sponsored the CSR event “Goodwell Sharing Joy • Loving Elderly 2023”, with over 400 elderly community members participating in the scrumptious lunch banquet, completed with a lion dance show, music performance and lucky draw. We hope that the elderly are always included in our community, and we will continue to give back to the society in the future.



ELCHK SIM Love

As part of our contribution to helping those in need in the community, we have donated 5G phone SIM cards to ELCHK for their local social works and activities usage, enabling the elderly and low-income families to stay connected with the community and social services need.



Caring for Community

Skip Lunch Day 2023



The Skip Lunch Day was organised by The Community Chest. Participants were encouraged to donate their lunch fees to provide support for individuals living on the streets and residents in cage homes and cubicles. We received a massive positive response from our employees.



Our Support Of “The Love Project” By Gingkohouse

We have taken the opportunity to support the underprivileged in Hong Kong and share our love and care during the festive season of Winter Solstice and Christmas in 2023. We donated to Gingkohouse, a charity that supports the employment of the elderly, in the making of rice boxes, soup boxes and daily necessities to the underprivileged in Hong Kong. We hope to bring love to those in need, and extend our effort in creating a more equal society in Hong Kong.



Caring for Nature

MANAGING OUR ENVIRONMENTAL PERFORMANCE AND IMPACT

We cultivate a green workplace and community culture through upholding a key goal in our sustainability strategy to “respect nature”. To continuously improve our environmental management, we set achievable performance targets across multiple environmental aspects. The REIT Manager has worked to progress towards our environmental goals by reducing the environmental footprint of our assets.

Our Environmental Policy serves as a guide for reducing environmental impact in business operations and improving our management efficiency. Our operations strictly adhere to relevant environmental laws and regulations, including but not limited to Energy Efficiency Ordinance (Cap. 610), Waste Disposal Ordinance (Cap. 354), Vienna Convention for the Protection of the Ozone Layer, 1985, as supplemented by Protocol in 1987 (Eleventh edition (2018)). These policies set out our environmental objectives, such as greenhouse gases emission management, energy consumption, water consumption, waste management, and indoor environmental quality controls.

Under our Environmental Policy, it is mandatory for our Property Manager to ensure that all investment properties possess ISO 14001 certification for their environmental management systems (“EMS”). To fulfil this requirement, our Property Manager has implemented an ISO 14001-accredited EMS, which includes an environmental management handbook, procedures, and guidelines for environmental protection, and actively explores methods to minimise energy and resource consumption and increase recycling practices in our operations. Furthermore, an Environmental Management Committee has been established by the Property Manager to oversee and monitor our environmental performance to ensure our environmental initiatives are effectively implemented.

Our Sustainability Steering Committee, supported by the Environmental, Health & Safety and Supply Chain Management Task Group, monitors and reviews the policy’s implementation. They meet at least quarterly to evaluate the REIT’s environmental performance.

Our investment practices have incorporated sustainable considerations. Prosperity REIT does not own, lease, or manage properties that are located at or near greenfield sites, including environmental protection areas or other areas with high biodiversity value. Through the Government’s revitalisation scheme, we enhanced our asset use and converted Prosperity Place from industrial/office use to commercial property back in 2012.

Our decision-making on future property acquisition or investment plan development strictly complies with the Environmental and Social Due Diligence Policy for Property Investment. As stipulated in the policy, we conduct asset-level due diligence for all prospective properties, in which we assess aspects such as the building’s energy, water, and waste management, green certification, and climate change resilience. We also consider the wider context of the asset’s impact on surrounding environment and communities.

CLIMATE RESILIENCE

In the Reporting Year, we have updated our climate-related financial disclosure based on the TCFD recommendations.

Governance

Adequate governance mechanisms play a vital role in effectively addressing climate-related risks and opportunities.

Caring for Nature

Board of Directors

- Oversees climate-related risks and opportunities, approach to climate-related risk management, and the setting of and progress towards climate-related goals
- Incorporates climate mitigation and adaptation in REIT's overall business strategy
- Receives and reviews reports bi-annually of the REIT level risk profile
- Delegates roles and responsibilities for assessing and managing climate-related risks to the Sustainability Steering Committee

Sustainability Steering Committee

- Reviews scope and impact of physical and transition climate-related risks and opportunities that are significant at REIT level on a quarterly basis, e.g. those that will affect the business and financial planning.
- Develops climate change-related roadmaps and targets for Board's approval.

Sustainability Working Group

- Implements plans and targets set by the Sustainability Steering Committee
- Updates the Sustainability Steering Committee on the progress of plans and targets on a quarterly basis

All employees are required to attend climate-related training to ensure that procedures for managing climate-related risks comply with regulatory requirements, the group-level Climate Change Adaptation, Mitigation and Resilience Policy, and Prosperity REIT's Environmental Policy. Assessment of staff remuneration is based on meeting pre-set KPIs, which includes climate-related KPIs.

Strategy

We are committed to mitigating climate-related risks on our portfolio, and to take advantage of any opportunities from climate change. As part of our strategy for climate resilience enhancement, we have undergone a comprehensive climate risk scenario analysis to identify both physical and transition climate risks and opportunities that have a significant impact on our operations over the short, medium, and long-term horizon.

Scenario analysis

A comprehensive scenario analysis has been conducted in the Reporting Year to better understand the financial impacts of climate risks on all of Prosperity REIT's properties to understand the impact on each asset over the short, medium, and long-term, using climate hazards that are most relevant to our operations. We will be utilising the Representative Concentration Pathways ("RCP") developed by the Intergovernmental Panel on Climate Change ("IPCC") and the transition risks scenarios developed by the Network for Greening the Financial System ("NGFS"). The following table illustrates the climate scenarios identified for assessment:

Scenarios	Below 2°C Scenario	+2.5°C Scenario	Above 3°C Scenario
Pathways	IPCC RCP 2.6	IPCC RCP 4.5	IPCC RCP 8.5
	NGFS Below 2°C	NGFS Nationally Determined Contributions ("NDCs")	NGFS Current Policies
Time horizon	Short term – 2030s Medium term – 2050s Long term – 2080s		

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Below 2°C Scenario

This scenario anticipates a world where average global temperature increase has a 67% chance of not exceeding 2°C by 2100, achieving the Paris Agreement goal. Global GHG emissions in this scenario will be heavily reduced in the short-term, due to the implementation of stringent climate laws, regulations and obligations world-wide (e.g., carbon taxes). In the short-term, the market will steadily adopt new technology to transform to lower-emission operations to meet increasing regulations on decarbonisation. The severity of acute weather events is likely to reduce in magnitude, and the extent of both long-term weather pattern shifts and sea level rise are also likely to slow down gradually in the medium-term as a result of the significant reduction in global GHG emissions in the scenario.

+2.5°C Scenario

This scenario anticipates a world where average global temperature increase reaches approximately 2.5°C by 2100. GHG emissions will be moderately reduced by the pledged NDC policies. In the medium-term, the market will slowly adopt new technology to transform to lower-emission operations to meet increasing regulations on decarbonisation. The severity of acute weather events is likely to reduce in magnitude, and the extent of both long-term weather pattern shifts and sea level rise are also likely to slow down gradually in the long-term due to the gradual reduction in global GHG emissions in the scenario.

Above 3°C Scenario

This scenario anticipates a world where average global temperature increase reaches over 3°C by 2100. GHG emissions rate maintains at the same rate as of the present day, with the preservation of currently implemented policies, and the market is laggard to adopt new technology, even in the long-term, to transform to lower-emission operations. Severe weather events aggravated by climate change are likely to increase significantly, and the extent of both long-term weather pattern shifts and sea level rise are likely to be high, with a continuous increase in GHG emissions in this scenario.



Caring for Nature

Climate Change Impacts Identification

As part of our climate change adaptation and resilience strategy, the following transition and physical climate risks and opportunities are identified to have an impact on Prosperity REIT's operations.

Scenarios	Climate Change Impacts
Below 2°C Scenario	<p>Transition Risks</p> <p><i>Policy and Legal Risks</i></p> <ul style="list-style-type: none"> It is anticipated that more stringent environmental regulations or emissions-reporting obligations (e.g., energy consumption level of green building or building specification) and carbon taxes, will be introduced to all countries, including Hong Kong, much earlier in the short-term. Increasing operating costs, reduced liquidity from carbon tax, and financial loss and damage from non-compliance of climate-related laws and regulation. <p><i>Technology Risk</i></p> <ul style="list-style-type: none"> High technology risk is anticipated under this scenario. Increased stringency in climate-related laws and regulation, and green building requirements in the short-term, will increase the need to replace aged equipment with more energy efficient and lower emission equipment. This will also require significant capital investment for replacements and additional costs to adapt to newer technology. <p><i>Market Risk</i></p> <ul style="list-style-type: none"> High market risk is anticipated under this scenario, with the costs of operation increases caused by the changing in input prices (e.g., energy, water) and output requirements (e.g., waste treatment). This is compounded by the expected increase in demand from the market for greener buildings. Subsequently, net income will decrease. <p><i>Reputation Risk</i></p> <ul style="list-style-type: none"> High reputation risk is expected, with stakeholders expecting a more climate resilient portfolio in light of the increasing stringency of climate-related laws and regulations, subsequently causes reduce in revenue. <hr/> <p>Physical Risks</p> <p><i>Acute Risk</i></p> <ul style="list-style-type: none"> Though acute physical risk is expected to pose an impact on Prosperity REIT's portfolio, the increase in severity of acute physical risk (i.e., tropical cyclones, cyclone-induced storm surges, and riverine flood) is expected to reduce due to the reduced warming of the scenario. Increase in capital expenditure from operation costs, insurance premium, and replacement costs, however, are still expected. <p><i>Chronic Risk</i></p> <ul style="list-style-type: none"> It is expected that the sea level and global mean temperature rise will be alleviated in long-term under this scenario, meaning that impacts such as increased electricity consumption at high temperatures, write-offs and early retirement of existing assets will reduce in magnitude under this scenario.

Caring for Nature

Scenarios	Climate Change Impacts
+2.5°C Scenario	<p data-bbox="359 432 550 465">Transition Risks</p> <p data-bbox="359 472 587 506"><i>Policy and Legal Risk</i></p> <ul data-bbox="359 517 1425 701" style="list-style-type: none"> • It is anticipated that more stringent environmental regulations or emissions-reporting obligations (e.g., energy consumption level of green building or building specification) and carbon taxes, will also be introduced to all countries under this scenario, but in the medium-term. The operating costs, reduced liquidity from carbon tax, and financial loss and damage from non-compliance of climate-related laws and regulation will increase at a slower rate than the Below 2°C Scenario. <p data-bbox="359 719 536 752"><i>Technology Risk</i></p> <ul data-bbox="359 763 1425 1025" style="list-style-type: none"> • Technology risk under this scenario will be at a moderate level, with the increased stringency in climate-related regulation anticipated in the medium-term. The demand from the market for greener buildings is also expected to increase, but to a lesser extent than the Below 2°C Scenario. The need to replace aged equipment with more energy efficient and lower emission equipment will be at a slower rate. Capital investment for the replacement will take place later in medium-term and costs to adapt to newer technology will increase to a lesser extent than the Below 2°C Scenario. <p data-bbox="359 1043 488 1077"><i>Market Risk</i></p> <ul data-bbox="359 1088 1425 1238" style="list-style-type: none"> • Lower market risk is expected under this scenario. The costs of operation increase due to changing in input prices (e.g., energy, water) and output requirements (e.g., waste treatment) will not be as significant as the Below 2°C Scenario. The demand from the market for greener buildings will also be lower in this scenario compared with the Below 2°C Scenario. <p data-bbox="359 1256 528 1290"><i>Reputation Risk</i></p> <ul data-bbox="359 1301 1425 1451" style="list-style-type: none"> • Reputation risk is expected, but at a lower level than the Below 2°C Scenario, with stakeholders expecting a more climate resilient portfolio considering the increasing stringency of climate-related laws and regulations in the medium-term. Revenue will reduce as a result, but more gradually than the Below 2°C Scenario. <hr data-bbox="359 1458 1441 1462"/> <p data-bbox="359 1469 531 1503">Physical Risks</p> <p data-bbox="359 1509 475 1543"><i>Acute Risk</i></p> <ul data-bbox="359 1554 1425 1738" style="list-style-type: none"> • Though acute physical risk is expected to pose an impact on Prosperity REIT's portfolio, the increase in severity of acute physical risk (i.e., tropical cyclones, cyclone-induced storm surges, and riverine flood) is expected to reduce in light of the reduced warming of the scenario. Increase in capital expenditure from operation costs, insurance premium, replacement costs are also expected, to a greater extent than the Below 2°C Scenario. <p data-bbox="359 1756 496 1789"><i>Chronic Risk</i></p> <ul data-bbox="359 1800 1425 1939" style="list-style-type: none"> • It is expected that the sea level and global mean temperature rise will continue to increase under this scenario, which leads to the increased electricity consumption at high temperatures, write-offs and early retirement of existing asset. The extent of these chronic risks is expected to be of a higher extent in comparison to the Below 2°C Scenario.

Caring for Nature

Scenarios	Climate Change Impacts
Above 3°C Scenario	<p>Transition Risks</p> <p><i>Policy and Legal Risk</i></p> <ul style="list-style-type: none"> It is expected that the environmental regulations or emissions-reporting obligations (e.g., energy consumption level of green building or building specification) and carbon taxes will remain consistent with the current status. Operating costs and carbon taxes are expected to remain consistent in this scenario. <p><i>Technology Risk</i></p> <ul style="list-style-type: none"> Technology risk is anticipated to be low under this scenario as policies and regulations are expected to be consistent with the current status. Capital investment for new technology, and costs to adapt to them are expected to be minimal. <p><i>Market Risk</i></p> <ul style="list-style-type: none"> Market risk is anticipated to be low under this scenario, with the costs of operation maintaining at a consistent rate due to the input prices (e.g., energy, water) and output requirements (e.g., waste treatment) maintaining at similar level to the current state. The green building demand from the market is also expected to be similar. <p><i>Reputation Risk</i></p> <ul style="list-style-type: none"> Reputation risk is expected to be low, with stakeholders expecting Prosperity REIT to follow the current climate-related laws and regulations. Revenue is expected to maintain at the current level. <hr/> <p>Physical Risks</p> <p><i>Acute Risk</i></p> <ul style="list-style-type: none"> The severity of acute physical risk (i.e., tropical cyclones, cyclone-induced storm surges, and riverine flood) are expected to increase significantly under the high level of warming of this scenario. Increase in capital expenditure from operation costs, insurance premium, replacement costs are expected to be the most significant in this scenario. <p><i>Chronic Risk</i></p> <ul style="list-style-type: none"> It is expected that the sea level and global mean temperature rise will be significantly increase under this scenario, meaning that impacts such as increased electricity consumption at high temperatures, write-offs and early retirement of existing assets will be high under this scenario.

Assessment on Financial Impact of Climate-related Risks

Based on the identified climate risks above, we have conducted an assessment of the potential financial impact for selected physical and transition risks so as to facilitate our plan for climate-related risks mitigation and adaptation in the future.

Caring for Nature

Under all 3 assessed scenarios, tropical cyclones are found to be the physical climate risk with relatively more impact across the Prosperity REIT's portfolio, with the main financial impact arising from additional costs to restore assets due to damage caused by extreme weather events. The remaining physical climate impacts (i.e., cyclone-induced storm surges, and rainstorm/river flood) have a lesser potential impact on Prosperity REIT's property value deduction, as only a small number of our properties are potentially exposed to these climate risks. An overview of the exposure to climate risks for each asset is summarized below:

Property Name	Tropical Cyclone	Cyclone-induced Storm Surges	Rainstorm/Riverine Floods
	Relative exposure to risks for all scenarios		
The Metropolis Tower	Higher	Lower	Lower
Prosperity Millennia Plaza	Higher	Lower	Lower
9 Chong Yip Street	Higher	Lower	Lower
Prosperity Place	Higher	Lower	Lower
Trendy Centre	Higher	Higher	Higher
Prosperity Center Property	Higher	Lower	Lower
New Treasure Centre Property	Higher	Lower	Lower

Higher  Lower 



Caring for Nature

The following table demonstrates the potential financial impacts from the physical climate risks on Prosperity REIT's portfolio.

Potential Financial Impacts from Physical Climate Risks	
Replacement Costs	↑ Expenditure
Net Revenue	↓ Revenue
Property Value	↓ Assets

Increase ↑ Decrease ↓

The financial impacts from transition risks are also assessed under the identified climate scenarios and time horizons. The assessment considered the impacts on Prosperity REIT's operation cost in the future resulting from the transition to low-carbon economy. The following table demonstrates the potential financial impacts from the transition climate risks on Prosperity REIT's portfolio.

Potential Financial Impacts from Transition Climate Risks	
Potential carbon tax	↑ Expenditure
Electricity costs	↑ Expenditure

Increase ↑ Decrease ↓

Overall, it is anticipated that there will be an increase in financial impacts on Prosperity REIT's portfolio stemming from the identified transition and physical climate risks. Despite this, Prosperity REIT has already developed a set of climate adaptation and mitigation strategies to tackle the impacts from climate risks. In view of this, we are confident that we are able to reduce the impacts of risks on our portfolio as far as possible. The details of the climate adaptation and mitigation strategies will be discussed in the next section.

Caring for Nature

Adaptation and Mitigation Strategies

Prosperity REIT has implemented strategies to respond to the identified transition and physical risks, in efforts to retain our business resilience. Our strategies and current initiatives are outlined below:

Risk	Risk mitigation strategies	Progress in 2023
Transition Risks		
<i>Policy and Legal Risks</i>	<ul style="list-style-type: none"> Develop sustainability policies in controlling and monitoring the sustainability performance and enhancing climate resilience Require employees to attend climate-related trainings 	<ul style="list-style-type: none"> Conducted climate-related trainings Representation in Business Environment Council ("BEC") Climate Change Business Forum Advisory Group
<i>Technology Risk</i>	<ul style="list-style-type: none"> Keep track of the climate-related technology development and conduct continuous market research 	<ul style="list-style-type: none"> Market research conducted both internally and by external consultants Feasibility studies have been carried out for upgrading the building services facilities to more energy efficient models
<i>Market Risk</i>	<ul style="list-style-type: none"> Engage consultants for monitoring sustainability and TCFD matters to avoid negative perception from stakeholders Regular meeting with leasing team members and building managers to review the performance of Prosperity REIT's portfolio 	<ul style="list-style-type: none"> Aligned climate-related disclosures to TCFD recommendations Consultants have been engaged for advice on the market trend on sustainability and building specifications Regular meetings have been convened with leasing team members and building managers BEC site visit to learn more on the latest green building attributes and to identify the potential strategy for the enhancement of Prosperity REIT's portfolio
<i>Reputation Risk</i>	<ul style="list-style-type: none"> Stakeholder engagement and regular performance of materiality assessment with stakeholders Engage consultants for monitoring of sustainability and TCFD matters to avoid negative perception from stakeholders 	<ul style="list-style-type: none"> Conducted review of the materiality matrix formulated by stakeholder survey and annual peer analysis Aligned climate-related disclosures with TCFD Provided various ongoing communication channels, such as corporate website, tenant app and LinkedIn platform, for Prosperity REIT to address stakeholders' concerns swiftly

Caring for Nature

Risk	Risk mitigation strategies	Progress in 2023
Physical Risks		
<i>Acute physical risks</i>	<ul style="list-style-type: none"> Emergency procedures in place, drills are performed annually before typhoon season Regular checking to ensure the safety condition of the glass doors and related parts and accessories Implement fixing method during typhoon 	<ul style="list-style-type: none"> Conducted a physical risk assessment for extreme weather events to understand potential replacement costs, revenue losses, and property value losses for all assets under various climate scenarios Explore options to enhance climate resilience of assets, prioritizing higher-risk properties indicated from assessment results Performed annual drill test Conducted regular check on the glass doors condition and related parts and accessories
<i>Chronic physical risks</i>	<ul style="list-style-type: none"> Replace chiller and its pump sets to enhance cooling efficiency 	<ul style="list-style-type: none"> Conducted a climate risk assessment under a number of climate scenarios to understand extent of potential increase of energy use and cost for all assets Replaced the chiller and pump sets in The Metropolis Tower

Risk Management

Material climate-related risks, including both physical and transition risks, are identified through various methods of governance and controls and managed under our ERM framework. The Property Manager identifies material climate-related risks of each property in asset level risk assessment controls which are updated annually. Risks were identified during the Reporting Year through scenario analysis using IPCC's RCPs and NGFS Pathways. The REIT level risk profile is reported at least bi-annually to the Audit Committee and the Board, and risk mitigation strategies are disseminated to the Sustainability Working Group to be implemented in our business operations. The Sustainability Working Group is also responsible for monitoring the progress of these plans and reporting back to the Sustainability Steering Committee quarterly.

We abide by the group-wide Climate Change Adaptation, Mitigation and Resilience Policy, outlining our commitment to evaluating and managing climate-related risks, identifying opportunities, and enhancing the resiliency of our business to climate change. The policy adopts the principles recommended by the TCFD, which seeks to integrate climate-related issues into strategic and financial decisions, and link climate-related information with financial information, and aligns with the requirements set out in the SFC Circular.



Caring for Nature

Metrics and Targets

To review the effectiveness and progress of our climate change strategy, as well as strive for transparent sustainability reporting, Prosperity REIT measures and discloses key climate-related metrics such as GHG emissions and electricity consumption in the “Reducing Energy Consumption and Greenhouse Gas Emissions” section of this report. Below are some of the other climate-related metrics in the Reporting Year:

	2023
Percentage of properties which are certified green buildings	100%
Renewable energy generation (kWh)	78,911
Portfolio carbon footprint (tCO ₂ e per HK\$ million) ¹	2.2

Note 1: Portfolio carbon footprint is calculated according to the Global GHG Accounting & Reporting Standard of the Partnership for Carbon Accounting Financials. Total value of properties on 100% basis is HK\$9,703 million.

Our climate change-related targets are integrated into our Sustainability Vision 2030, under the “Nature” pillar. In particular, we aim to reduce 14% and 20% of Scope 2 GHG emissions in our properties by 2025 and 2030 respectively, from a 2017 performance baseline. We will continue to monitor and review our target so that they adequately respond to the results of the scenario analysis, as well as uphold our accountability.

REDUCING ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS

We strive to continue our effort in reducing carbon emission and improving operational efficiency. We aim to reduce energy consumption in our operations and Scope 2 GHG emissions in our properties by 14% and 20% by 2025 and 2030 respectively, from a 2017 performance baseline. To achieve these ambitious energy and GHG emissions reduction targets, we have undertaken numerous energy efficiency asset enhancement initiatives over the years across our property operations.



Chiller Replacement

- Chiller sets replacement commenced in 2014 at different properties in the portfolio, progressively phasing out the aged model to a more energy-efficient model.
- In 2023, replacement of one chiller and its associated pump sets at The Metropolis Tower were completed to enhance the cooling and energy efficiency.



Building Management System (“BMS”)

- Replaced a BMS at Prosperity Millennia Plaza to enhance energy efficiency and thus reduce electricity consumption.



Lighting Upgrade

- Upgraded LED lighting panels for typical floor lobby and corridor at all wholly owned properties to enhance energy efficiency and thus reduce electricity consumption.

Caring for Nature



Solar Panel

- ⚙️ The efforts on renewable energy adoption continued in the Reporting Year, with the installation of solar panels completed at all wholly owned properties in the portfolio where spatially feasible. The system generated 78,911 units (kWh) of electricity in the Reporting Year.



Echoing our commitment on green building and low carbon operation, we have installed the solar panels at all the wholly owned properties where spatially feasible.

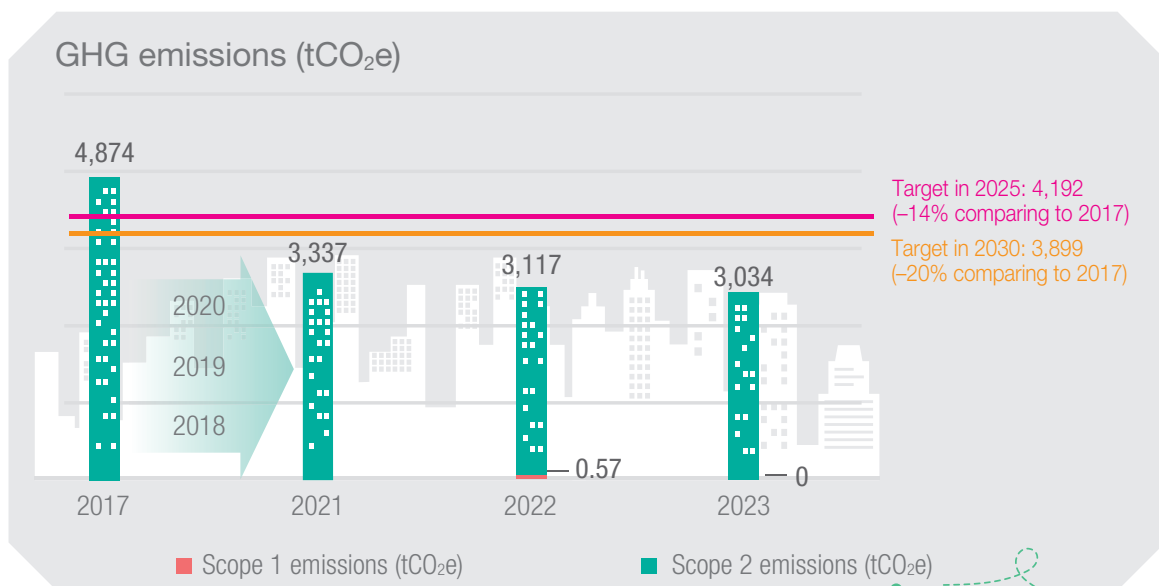
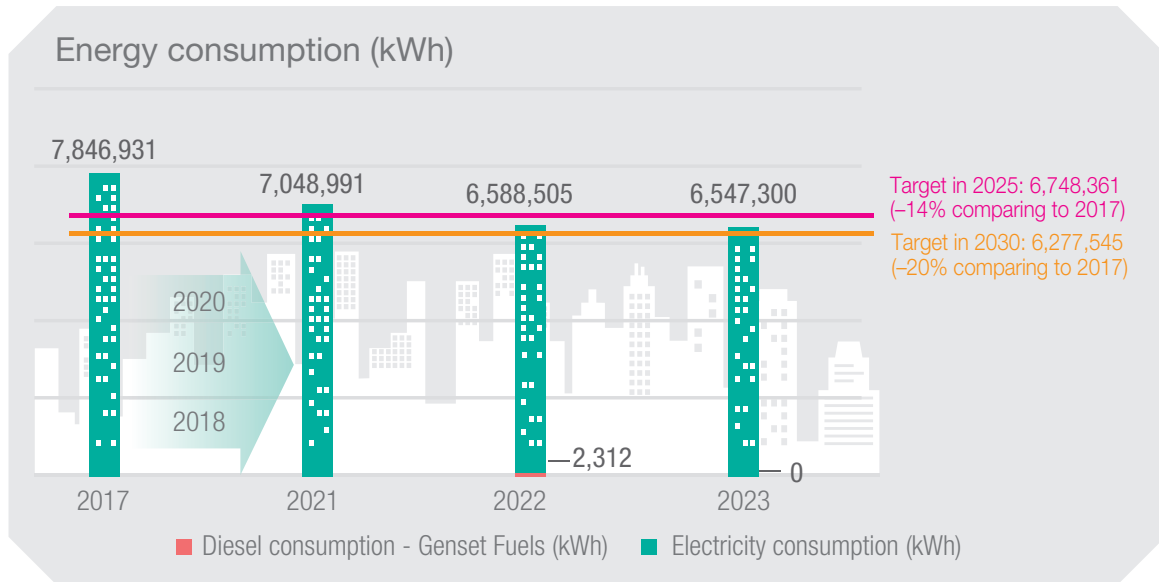


Operational Efficiency

- ⚙️ To enable the power-down of non-essential lighting, elevators, and other facilities, we employ elevator management systems, motion detectors and hardware upgrades across our properties. We continuously review and adjust the operating hours of building services facilities to prevent unnecessary energy consumption during non-operational periods and will continue to monitor as appropriate. This ensures that our energy usage remains efficient, while maintaining our operational capabilities.

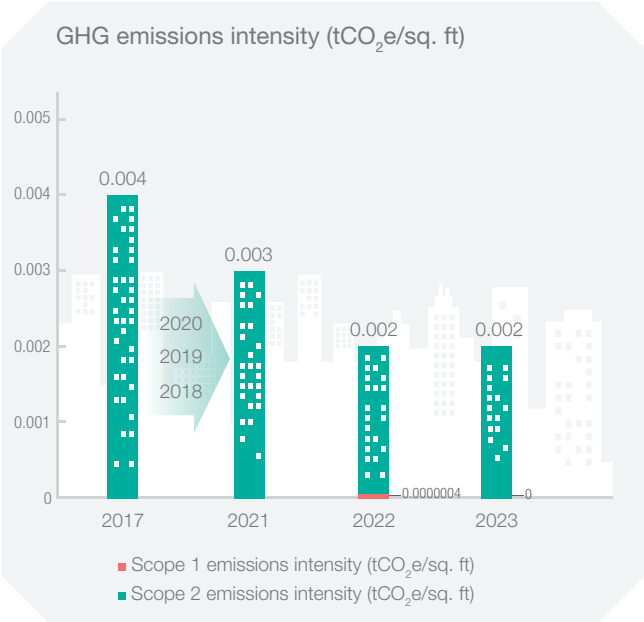
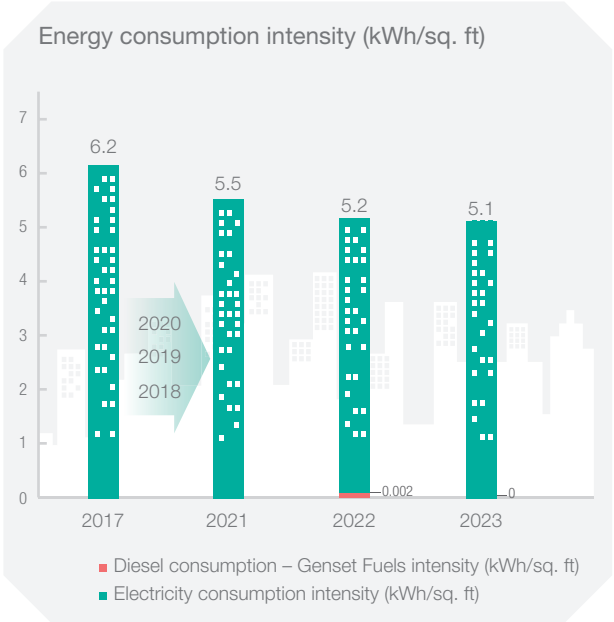
Caring for Nature

These ongoing energy efficiency enhancement initiatives have yielded substantial reductions in our carbon footprint.



Remark:
 The above energy consumption and GHG emissions data cover 100% of Prosperity REIT's portfolio.

Caring for Nature



Remarks:

1. The above energy consumption and GHG emissions data cover 100% of Prosperity REIT’s portfolio.
2. Due to rounding, the above figures may not precisely reflect to absolute figures.

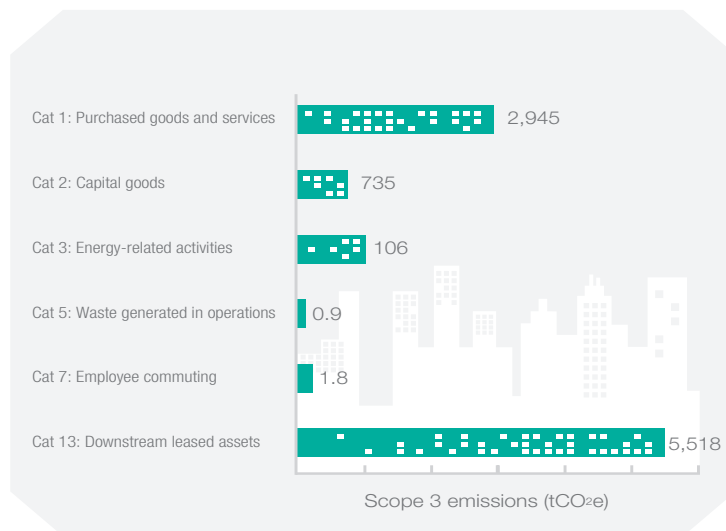
Caring for Nature

SCOPE 3 GREENHOUSE GAS EMISSIONS

In 2023, Prosperity REIT conducted the first assessment of its scope 3 emissions. The scope 3 emission data is disclosed in accordance with the GHG Protocol Standards and contribute for 75% of our total (Scope 1, 2 and 3) GHG emissions.

	2023
Scope 3 emissions (tCO ₂ e)	9,307
Scope 3 emissions intensity (tCO ₂ e/sq. ft)	0.007

We have identified 7 categories of scope 3 emissions that are material to our operations. Since no business travel has taken place in the Reporting Year, category 6 (Business Travel) of scope 3 emission is not disclosed.



For further details on the scope 3 emission inventory, please refer to page 80 and 81.



CONSERVING WATER RESOURCES

Recognising the value of water as a valuable resource, we have established goals to reduce our consumption in both short and long-term. By taking 2017 as our baseline, we aim to reduce 2% and 5% of our water usage across our properties by 2025 and 2030 respectively. We have implemented various initiatives in our managed properties that focus on minimising water usage.

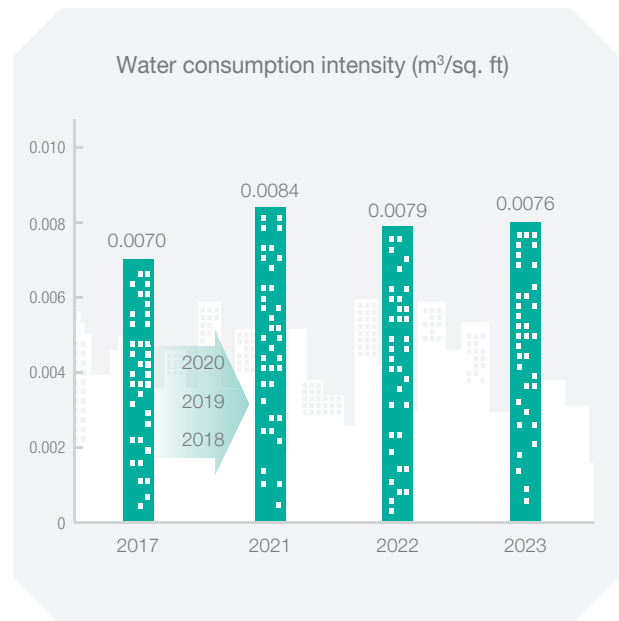
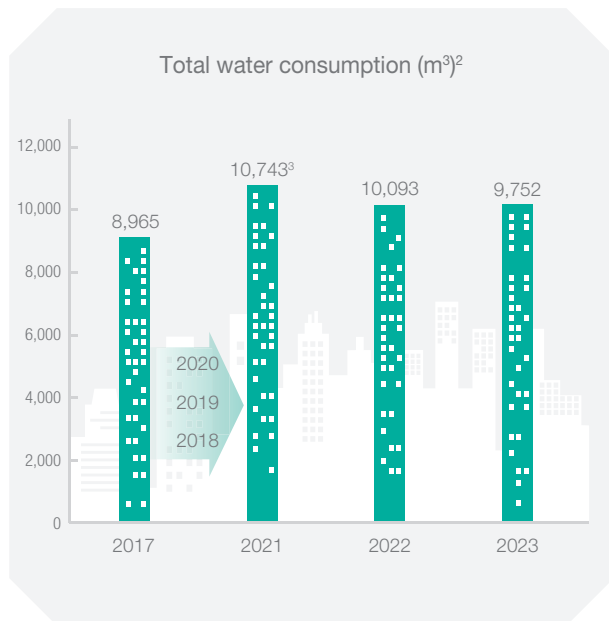
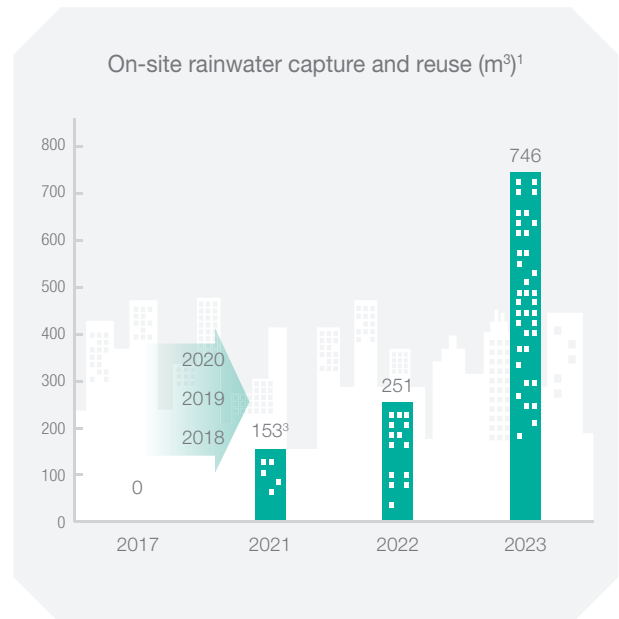
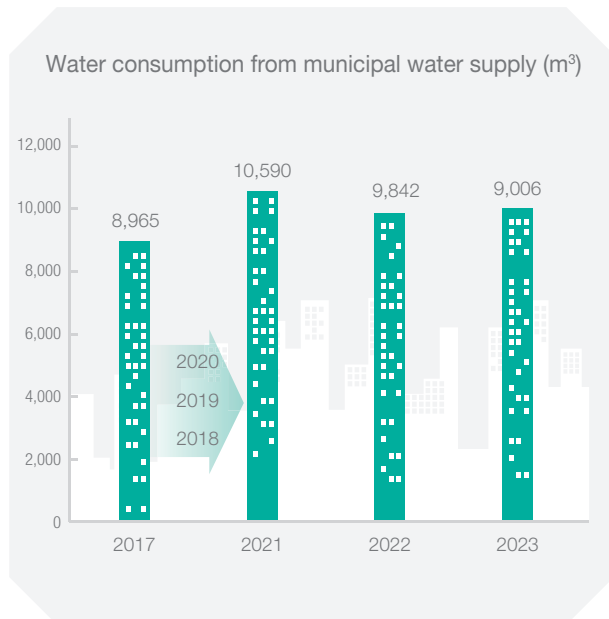
Water Saving Measures

- Sensor faucets in common washrooms
- Installation of rainwater collection system at Trendy Centre has been completed this year. Together with the one at The Metropolis Tower and Prosperity Place, rainwater collection systems are fitted at all the wholly owned properties where spatially feasible.
- Smart irrigation system for the green wall at Prosperity Place and The Metropolis Tower
- Water leakage detection system at the washrooms of Prosperity Place



We have installed rainwater collection system in The Metropolis Tower, Prosperity Place and Trendy Centre. Rainwater will be collected and used for plant irrigation and feed into flush water tank for toilet flushing.

Caring for Nature



Note 1: Except for 9 Chong Yip Street whose on-site rainwater capture and reuse amount is estimated based on monthly rainfall recorded by the Hong Kong Observatory, other properties' figures are measured by meter from 2022.

Note 2: The above water consumption data cover 100% of the REIT's portfolio.

Note 3: These figures have been restated to reflect the actual water consumption in that year.



Caring for Nature

LIMITING WASTE GENERATION

Our long-term goal is to minimise the volume of waste disposed, and we strive to accomplish this through implementing a 3-R strategy (Reduce, Reuse and Recycle). In 2023, we participated in Greeners Action's "red packet reuse & recycle" programme and recycled a total of 99 kg of red packets. We also prioritise tenant education on waste recycling and reducing landfill waste.



The "red packet reuse & recycle" programme souvenir.

In the Reporting Year, we have extended the "WeCycle" programme across Prosperity REIT's portfolio, aiming to involve our tenants to reduce waste generation, as well as to enhance waste diversion rate. The initiative rewards our tenants with reward points for gift redemption by providing waste such as paper, aluminium cans, plastic and glass bottles, fluorescent tubes and batteries for recycling. In 2023, the "WeCycle" programme has helped to divert 6,600 kg of waste for recycling.



The WeCycle initiative at our portfolio.



Caring for Nature



To celebrate the festive season of Christmas, we have utilised the materials collected from the WeCycle initiative and transformed them into a beautiful and eco-friendly Christmas Tree. We hope to reduce waste generated from one-off Christmas decoration, through the use of upcycled waste materials.

Caring for Nature

With the implementation of the comprehensive recycling scheme across the portfolio, there was significant increase in waste recycled, and the results were as follows:

	2021	2022	2023
Non-hazardous waste			
Paper consumed (kilograms)	959	817	840
Paper recycled (kilograms) ¹	7,866	18,907	21,814
Plastic Waste recycled (kilograms) ¹	335	487	562
Metal waste recycled (kilograms) ¹	15	143	161
Glass bottles recycled (kilograms) ¹	319	209	170
Hazardous waste			
Electronic waste recycled (kilograms) ^{1, 2}	261	1,120	371
Computer waste recycled (pieces) ¹	23	26	31
Fluorescent light tube replaced (kilograms)	21	40	32
Total waste disposal (kilograms) ¹	9,776	21,723 ³	23,950³
Total waste recycled (kilograms) ¹	8,796	20,866 ³	23,078³

Note 1: Including waste collected / recycled from our operation and tenants

Note 2: Electronic waste includes fluorescent lamps, rechargeable batteries, and small electronic appliances

Note 3: The "WeCycle" programme collected waste from tenants resulting in an increase in Total Waste Disposal and Total Waste Recycled



Caring for Nature

We have placed significant emphasis on enhancing the presence of green spaces within our properties, including installation of vertical green walls in lobbies and establishment of roof gardens. Our aim is to integrate green elements into all our properties, promoting urban greenery and simultaneously creating a pleasant environment for our tenants and visitors.

Harvest Days at our rooftop urban farms

Recognising the multiple benefits of urban farms, we have built urban farms at the rooftops of The Metropolis Tower, Prosperity Place and 9 Chong Yip Street.

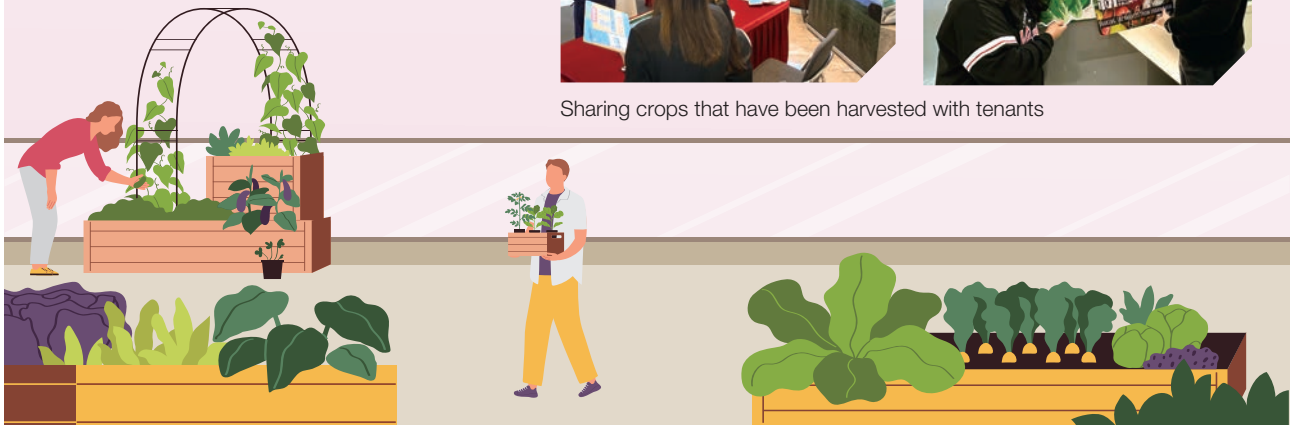


Participants harvesting potatoes at The Metropolis Tower

In an effort to encourage a nutritious diet, we have gathered and distributed an assortment of vegetable products from our self-operated rooftop urban farms, including eggplant, green pepper, potatoes, tomatoes, lettuce and herbs to our tenants.



Sharing crops that have been harvested with tenants



Caring for Nature

IMPROVING INDOOR ENVIRONMENTAL QUALITY

To minimise the exposure of toxic and harmful chemicals to our staff and tenants, we have implemented the Green Cleaning Plan across all properties within our portfolio. The plan aligns with the guidelines set forth by the Hong Kong Green Building Council, BEAM Plus for Existing Buildings (Version 2.0) and other environmental standards. It outlines the safety protocols for cleaning equipment and products, while providing guidance through standardised operating procedures for various cleaning activities. Our Property Manager enforces and reviews the plan regularly.

Activities related to renovation, decoration, and furnishing can have significant impacts on indoor air quality, noise, waste, and wastewater. To reduce all forms of disturbance to workers, tenants, and adjacent neighbours, all of the properties under the Prosperity REIT Portfolio adopts the Renovation Management Plan that outlines mitigation and control measures in detail. Checklists are employed before, during, and after the completion of renovation work to ensure the quality of management planning and implementation.

To safeguard the wellbeing of our staff, visitors and the public against pest hazards, we have implemented an Integrated Pest Management Plan across all properties under the REIT's portfolio. The plan serves as a framework to ensure compliance with relevant policies and regulations that have been established by the Agriculture, Fisheries and Conservation Departments. The Plan outlines preparation work, treatment procedures and information of chemicals used on pest control. Our Property Manager is responsible for the execution of the plan and the facilitation of communication between service providers and staff.

All of our wholly owned properties have received the certificate under the Indoor Air Quality Certificate Scheme in recognition of their air quality, with Prosperity Place being awarded "Excellent Class", and The Metropolis Tower, Prosperity Millennia Plaza, 9 Chong Yip Street and Trendy Centre receiving "Good Class".

INVOLVING TENANTS AND EXTERNAL PARTIES

To expand our environmental protection initiatives, we involve external stakeholders in taking collective action. In addition to providing energy-saving and eco-friendly living tips to our tenants through newsletters and lobby posters, we have collaborated with external parties to organise activities for our tenants and neighbours to promote a sustainable lifestyle.

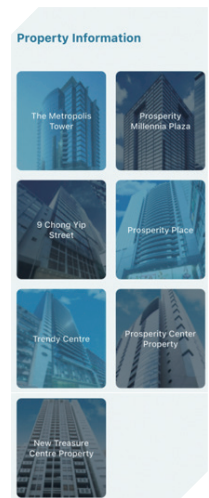
Our tenant app "PREIT 808" infuses sustainability concepts into our business operations. The application functions as a one-stop solution for our tenants. The app aims to digitalise building operations, foster ESG collaborations and build an interactive tenant relationship.

The app offers convenient access to administrative tasks, including monitoring of electricity bills, viewing building notices and accessing handover documents. This promotes paperless communication between us and our tenants. Additionally, we provide online facilities and service bookings, such as extension of air conditioning hours to ensure prompt service delivery while minimising unnecessary energy consumption for our tenants and providing them with a seamless experience.

Caring for Nature

To encourage sustainable habits among our tenants with the tenant app, users can participate in recycling reward programmes or share information on their electricity and water usage, earning reward points that can be redeemed for gifts. Through these initiatives, we seek to enhance our tenants' awareness and importance of sustainability.

In 2023, we have organised several "WeCycle" events at The Metropolis Tower, Prosperity Millennia Plaza, 9 Chong Yip Street and Prosperity Place. The events have been well received by tenants and almost 6,600 kg of paper, aluminium cans, plastic bottles, glass bottles and fluorescent tubes were collected.



Caring for Nature

GREEN LEASE

To involve our tenants in achieving green operations, we have incorporated in our tenancy agreement terms on waste management and promotion of environmental awareness, such as recycling practices, provision of appropriate facilities, and information transparency on resources consumption. Recognising the growing importance of sustainable development to many of our tenants, we strive to expand our collaboration with more tenants, aiming to amplify our positive impact.

GREEN FINANCING INITIATIVE

To demonstrate our commitment to sustainability and align our financial performance with our sustainability performance, we have actively explored sustainability-linked financing. Prosperity REIT is the first Hong Kong REIT achieves 100% sustainability-linked financing.

After entering our first sustainability-linked interest rate swap last year, we took a step further to increase the portion of our sustainability-linked swaps and entered into another tranche with OCBC Hong Kong in 2023. To drive positive change in society, we collaborated with OCBC Hong Kong and ELCHK and organised a series of “More than Coffee” events which included a coffee workshop and the Hong Kong Youth Latte Art Competition. Please refer to the “Caring for Community” section of this Report for details.



Caring for Nature

A TESTAMENT TO OUR ESG JOURNEY

Over the past decade, we have made significant strides in integrating green building and wellness initiatives across our portfolio by partnering with our stakeholders, including staff, business partners, service contractors, tenants, NGOs and community. Demonstrating our leadership in sustainability, we are the first Hong Kong REIT to achieve 100% sustainability-linked financing. With environmental sustainability and tenant comfort at the heart of our operations, we have revamped the main lobbies of our flagship properties, The Metropolis Tower and Prosperity Millennium Plaza, with contemporary and eco-friendly designs. Typical floor renovations are also ongoing to uplift the buildings' environmental performance. In our relentless pursuit of sustainable built environment, we have installed energy-efficient chillers, solar panels, rainwater collection systems and smart building management systems to curtail energy consumption, GHG emissions and water consumption levels. Taking our green digitalization strategy to the next level, we have launched a tenant app to engage in two-way ESG collaborations with tenants, such as WeCycle events to advance circular economy concepts. Prioritizing the wellbeing of tenants, we also regularly share monthly wellness tips as well as a wide range of harvest produce from our self-operated rooftop urban farms to encourage green living and healthy diets. As an early mover in sustainability, our persistent efforts are bearing fruit with the accelerating scale of green achievements.

Prosperity REIT's dedication to sustainability since 2014 is bearing fruit in 2023

1. Leveraging sustainability-linked finance

- First Hong Kong REIT to achieve 100% sustainability-linked financing
- Steadily increased the portion of Sustainability-linked interest rate swaps

2. Implementing green and modern AEs

- Revamping of main lobby at Prosperity Millennium Plaza and The Metropolis Tower
- Replacement of chiller with energy-efficient type at The Metropolis Tower, Prosperity Millennium Plaza, Prosperity Place and Trendy Centre
- Installation of smart building management system at Prosperity Millennium Plaza
- Solar panels installed at all wholly owned properties where feasible
- Rainwater collection system installed at all wholly owned properties where feasible

3. Collaborating with tenants on green initiatives

- Tenant app launched
- Rooftop urban farms at The Metropolis Tower, Prosperity Place, 9 Chong Yip Street
- Harvest sharing and WeCycle events

Caring for Nature

Our effort in enhancing our buildings' performances has been recognised with the following accolades:

2020

BEAM Plus (Energy Use) Excellent grade — Prosperity Millennium Plaza



BEAM Plus (Management) Excellent grade — Portfolio base



2021

2022

- 🏆 BEAM Plus (Comprehensive Scheme) Platinum at The Metropolis Tower
- 🏆 WELL Certificate Platinum at Prosperity Millennium Plaza
- 🏆 Innovative and sustainable facility management practices commended with awards in RICS Hong Kong Awards 2023 and Green Building Award 2023
- 🏆 Achieved GRESB 5-star rating for the second consecutive year
- 🏆 Sustainalytics “Low risk”

Achieved GRESB 5-star rating for the first time



2023



Caring for Tenants

PROTECTING DATA AND PRIVACY

We exercise extreme caution to protect tenants' personal information as we acquire personal data in our property management operations. Our Personal Data and Classified Data Handling Guideline, created by our Property Manager, outlines conduct for handling acquired data and preventing data leakage, and complies with the Collection of Personal Data (Privacy) Ordinance and other relevant regulations. Personnel that have access to personal data receive appropriate training regularly, and all employees receive annual cybersecurity training to raise awareness of data risk and data protection.

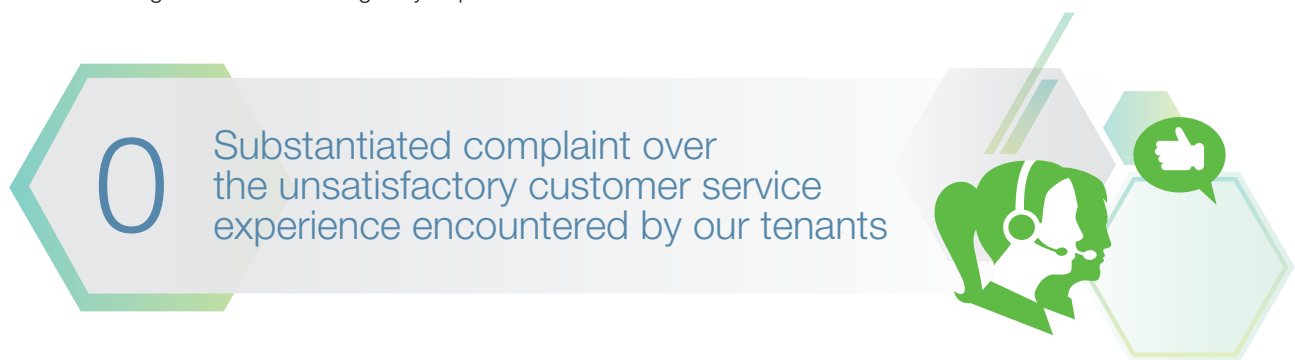
During the Reporting Year, no data breach or privacy infringement incidents were recorded.



0 Data breach or privacy infringement incident recorded

HANDLING COMPLAINTS

We highly value opinions and concerns from our tenants, and we strive to provide informed and comprehensive responses. To effectively gather tenant concerns, our policy enables tenants to voice any issues or requests via multiple platforms, including mail, phone, fax, email, the tenant app or in person. We promptly provide corrective and preventative solutions as soon as the complaint is received, with follow-up procedures to guarantee full resolution. We maintain a detailed record of the entire complaint handling process for future reference, in which all personal data collected is handled in strict confidence and prohibited to any unauthorized access or disclosure. We are dedicated to diligently investigating each case, adhering to our established complaint handling procedures, and providing timely follow-up responses within three working days. Our goal is to ensure that complaints are thoroughly addressed and resolved to the satisfaction of our stakeholders. Customer service trainings are conducted regularly to prevent recurrence of such events.

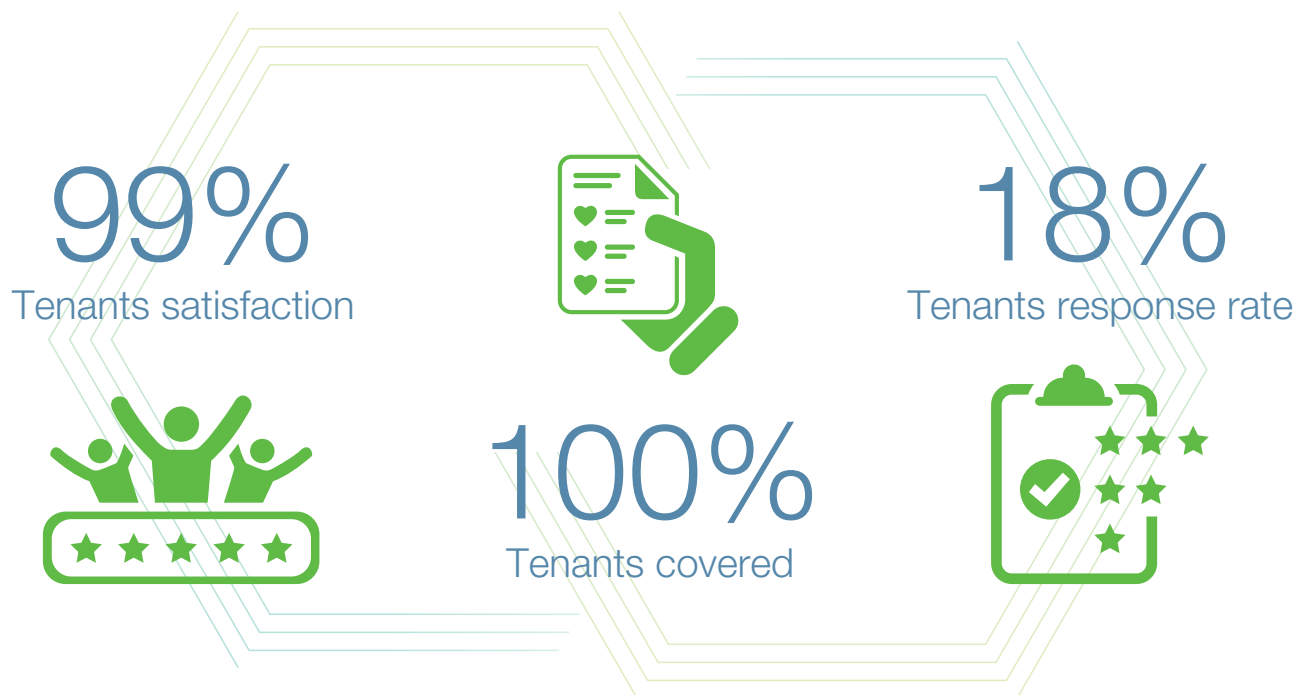


0 Substantiated complaint over the unsatisfactory customer service experience encountered by our tenants

Caring for Tenants

TENANT SATISFACTION

We collect tenant feedback to continuously improve our services, and we review our tenants' satisfaction rate and feedback through an annual tenant satisfaction survey. Our tenants rate our management service performance over 6 different criteria, including cleaning service, performance of our customer service centre officers, performance of security service, health and safety management, public facilities management and environmental management. The performance of our property management service received a satisfactory rating this year. We also regularly review and evaluate our sustainability programmes that promote health and wellbeing based on participation rate of each event and feedback collected from participating tenants, customers and communities. A working instruction has been put in place to handle the collected feedback in a timely manner, keeping our tenants content with our services and programmes.



Caring for Tenants

TENANT HEALTH AND SAFETY

We drive our enhanced personal hygiene practices to provide a healthy and safe experience for our tenants. Apart from regular disinfection work, we have installed touchless sensors in the lift lobbies of our properties, and scheduled air distribution unit cleaning in the Mechanical Ventilation & Air Conditioning (“MVAC”) System regularly. Third party professionals have monitored and acknowledged good indoor air quality at selected locations, accrediting all wholly owned properties in our portfolio as “Excellent Class” or “Good Class” under the Indoor Air Quality Certificate Scheme.

To promote an active lifestyle among tenants, tenants are encouraged to make use of the gym facilities available on the rooftop of The Metropolis Tower to exercise regularly. During the Reporting Year, we hosted Prosperity Brisk Walk Day in which tenants and staff climbed from the ground floor to the rooftop urban garden of Prosperity Place. Our efforts to promote tenants’ health continued by inviting a registered Chinese medicine practitioner to lead a traditional Chinese medicine health seminar at Prosperity Millennia Plaza, covering nutritious soup and tea recipes and demonstrating acupuncture methods.



Prosperity Brisk Walk Day with our tenants at Prosperity Place



The registered Chinese medicine practitioner sharing health knowledge to our tenants of Prosperity Millennia Plaza

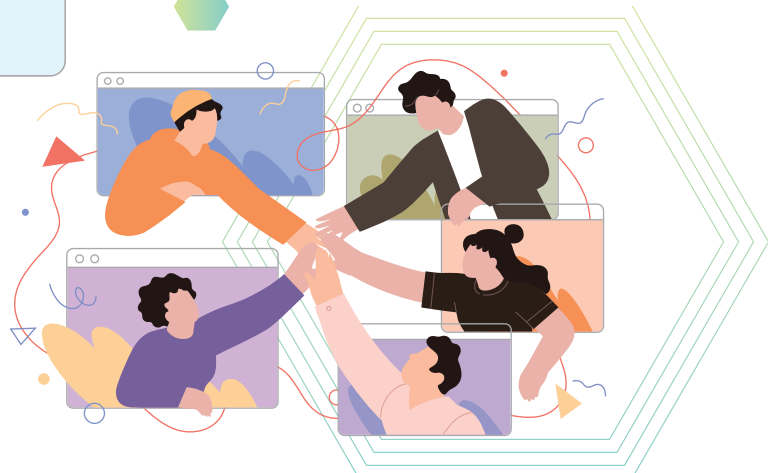


Caring for Tenants

Furthermore, our tenant app “PREIT 808” integrates wellness support into a platform our tenants already use on a day-to-day basis for functions including property notices and facilities booking. The app’s “Monthly Wellness” page provides a number of tips and activities for a range of topics, from sports knowledge to lifestyle changes for disease prevention. We hope the tips can give our tenants some ideas in the ways to enhance their employees’ wellness, creating a more harmonious workspace at our properties.



We ensure tenant safety through monthly safety inspections and checks, and by organising regular fire drills at our properties to teach both tenants and staff how to handle emergency situations.



Caring for Staff

SAFEGUARDING EMPLOYEE'S RIGHTS

We prioritise the wellbeing of our employees as they form the foundation of our business. Our aim is to establish a nurturing work environment that attracts, retains and cultivates talented individuals. We are committed to upholding their rights, by adhering to all applicable employment laws and ordinances in Hong Kong, including the Employment Ordinance, Employees' Compensation Ordinance and Anti-discrimination Ordinance. To ensure a respectful environment in our daily operations and foster diversity and inclusivity in our workplace and community, we have established our own Labour Policy that aligns with internationally recognised principles and guidance. Our Employee Handbook outlines the rights and responsibilities of our employees, covering crucial aspects such as compensation, recruitment, promotion, working hours, rest periods, equal opportunity and anti-discrimination. We uphold the freedom and rights of our employees to participate in associations or engage in collective bargaining. We have a strict zero-tolerance policy towards child labour and forced labour. Our Labour Policy prohibits the employment of individuals under the age set by the local limit requirement for work in any form of forced labour. The Sustainability Steering Committee will periodically review the Labour Policy and update the content to ensure its alignment with any revisions in our current procedures, practices, relevant legislations and best practices as deemed appropriate.

We hold our employees to a high ethical standards of business conduct, and we require them to adhere to our Code of Conduct & Business Ethics Policy and avoid any unethical behaviour at the workplace. We have implemented a Whistleblowing Policy that allows all employees, as well as others, to confidentially report any concerns regarding potential misconduct and obstructive action within Prosperity REIT and the REIT Manager. The Group is committed to taking necessary disciplinary measures against individuals found to be in violation of any applicable laws, regulations, and ordinance. During the year, no non-compliance cases were reported during operation.

To attain best-practice goal management practices, we establish distinct objectives (including sustainability-related ones) for employees (including the CEO) across various business units. These objectives are annually assessed by the CEO, head of department and/or supervisor to evaluate the sustainability performances of all employees. We ensure regular reviews and monitoring of our progress to assess the need for additional actions.

Our goal is to create a work environment that values and embraces fairness, equality, and recognition of social and cultural diversity among our employees. We ensure that employees receive equal opportunities regardless of age, race, gender, religion, national origin, sexual orientation, family status, disability, medical condition, or other characteristics. We have committed to maintaining a female representation of more than 40% among our total employees and to promote diversity and inclusiveness in the workplace.

Through the "Buddy Program", we welcome new employees to the company and introduce them to our company's operation and culture. Our aim is to assist new staff to adapt to our company and understand our company's history, business, values, and missions.

Annually, we conduct the Employee Engagement and Satisfaction Survey to gain deeper insights into our employees' expectations and take appropriate action. The survey focuses on the wellbeing of our employees, including staff satisfaction with the employer, pay and benefits, corporate culture and communications, work environment, relationship with supervisors, training and development, and overall employment experience. In 2023, the employee engagement and satisfaction survey covered 100% of our employees with a 100% response rate and has yielded an average satisfaction rate of 89%.

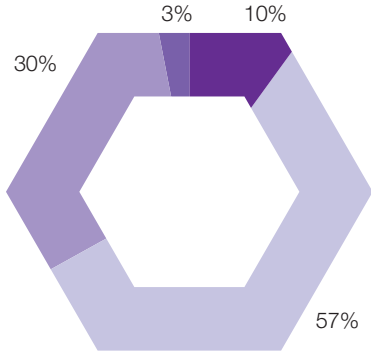
Caring for Staff

Results of the Employee Engagement and Satisfaction Survey

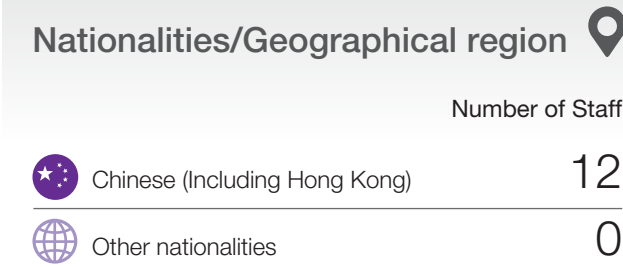
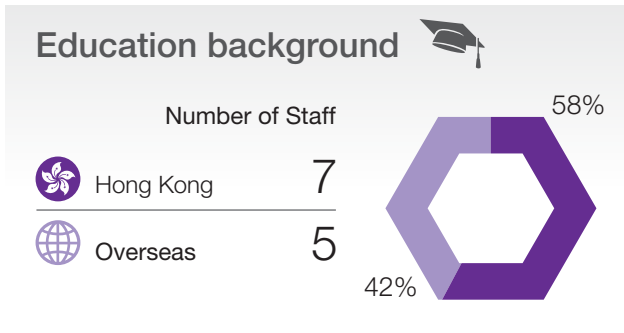
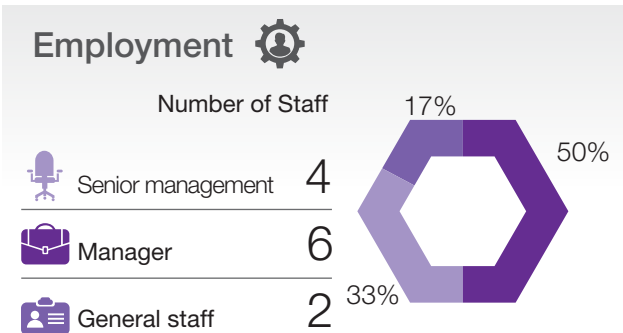
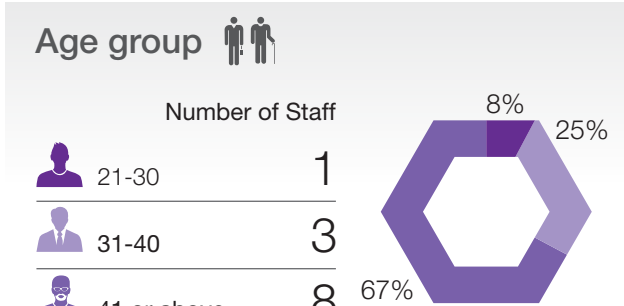
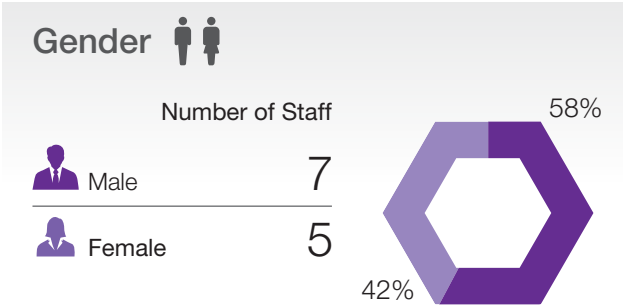
Percentage of employees covered: **100%** Survey response rate: **100%** Average employee satisfaction rate: **89%**

Total workforce by employee type

	Number of Staff
Full-time employees of the REIT Manager	12
Direct employees of the property manager	71
On-site outsourcing cleaning staff	38
On-site outsourcing gardener (part-time)	4







Total workforce of the REIT Manager by category






Caring for Staff





Management structure of the Senior Management (including CEO) of the REIT Manager by category

Gender 		Number of Staff
 Male		2
 Female		2

Age group 		Number of Staff
 21-30		0
 31-40		0
 41 or above		4

Employee turnover of the REIT Manager by category




Gender 		Number of Staff
 Male		0
 Female		0

Age group 		Number of Staff
 21-30		0
 31-40		0
 41 or above		0

New Hire (No. of employee)

Gender 		Number of Staff
 Male		0
 Female		0

Average years employed of the REIT Manager

Gender 		Number of Years
 Male		8.7 years
 Female		11 years

Remark:
There was no staff turnover or new hire in 2023.

Caring for Staff

STAFF COHESION AND WELLBEING

We firmly believe that teamwork is vital for the advancement and success of the business, and we endeavour to foster a culture of teamwork within our workplace. The flexible working policy has been enhanced due to the numerous advantageous it brings, allowing our employees to experience a healthier work-life balance. We frequently organise activities such as townhall, annual dinners, team-building activities and leisure interest workshops for all employees.

We offer a diverse range of non-salary benefits for all employees to cater to the different needs of our employees and their family members. In addition to the mandatory annual, paternity and maternity leaves, we provide marriage and compassionate leaves. Employees that have completed for more than one year of service are eligible for prolonged illness leave if they are diagnosed unfit for work by a registered practitioner. We offer a health check program for eligible staff and voluntary medical plan for all staff and their immediate family members. 33% of the REIT Manager's staff is covered by the health check programme during the Reporting Year. We also provide financial subsidies to our employees to join commercial fitness centres to encourage them to adopt an active lifestyle.

In appreciation of the significant contributions and commitment towards the company's growth, long service award is given to employees who have served for more than 5 years. A Long-term Incentive Scheme is also in place in the parent group to inspire and reward eligible employees for their contribution to the company's success by granting ESR's shares to them.

Moreover, various lunchtime seminars were organised at group level with topics on enhancing psychological resilience and mental wellbeing, as well as diversity and inclusivity.

■ Learning Bites: The Future Of Work Is Gender Equal

We are committed to ensuring a fair and equal working environment for all employees. While the world has experienced many changes and development over the years, there is still a lot to be done to improve workplace equality for women in employment. The webinar "The future of Work is Gender Equal" was arranged to share with the team how workplace equality can be achieved. We hope to continue to uphold a high standard in our workplace in encouraging diversity and equality in the future.



Caring for Staff

■ Learning Bites: Speaking The Language That Fosters Collaboration In The Workplace

We place great importance on diversity, equality, and inclusion within our workplace. With the aim of highlighting the positive impact of a diverse workforce on creativity, innovation, and problem-solving, a lunch talk was organised on fostering workplace collaboration. The talk emphasises that diversity goes beyond numbers and metrics and stresses on the importance of respectful and supportive communication and interaction among each other.



■ Learning Bites: Office Ergonomics Talk

We believe that good workspace health and safety practice is important to the safeguarding of employees' health, safety and wellbeing. To promote this, a webinar was set up to promote the importance of ergonomics in workspace, with the objective of preventing possible injuries from poor postures. We hope to create a healthier workspace through the development of better practices.



Caring for Staff

Other wellbeing activities for employees in the Reporting Year:

Prosperity Brisk Walk Day & Team Cohesion

In our efforts to encourage healthy and sustainable lifestyles, we organised a brisk walk day at Prosperity Place. Our staff have participated, ascending from the ground floor lobby all the way to the rooftop garden.

Following the walk, we have bonded over team cohesion dinner featuring delicious Chinese cuisine.



LED Light Signs Workshop

To promote team cohesion and wellbeing, a LED light signs workshop has been organised. The activity includes provision of a light lunch and participants can take away their hand-made LED light signs.



Caring for Staff

Health Talks & Massage

To offer guidance on preventing common workplace injuries, we have organised a health talk focusing on alleviating pain, relaxing muscles, and providing stretching techniques and posture maintenance tips. Following the talk, employees have the opportunity to enjoy a 15-minute massage session by professional massage therapists. We hope to enhance employees' knowledge of maintaining good health at workspace, as well as the importance of regular relaxation where possible during work.



Annual Dinners

To share the joy of the festive seasons with our team members, we have organised dinners throughout the year to celebrate Chinese New Year and the end of the year. We hope to take the opportunity to share the happiness of the festivals, and to build strong bonds within the team.



MAINTAINING WORKPLACE SAFETY AND HEALTH

We understand the significance of prioritising the health and safety of all stakeholders and are committed to implementing effective measures that mitigate negative impacts resulting from our business activities. Our compliance with the Occupational Safety and Health Ordinance and other relevant legislations ensures that all our business operations adhere to the required standards. To reinforce our commitment towards a safe and healthy workplace, we have adopted the Health, Safety and Wellbeing Policy. We have also adopted the Sweat Free Code of Conduct to prevent the exploitation of workers and the Drug-Free Workplace Policy to ensure that controlled substances are not unlawfully manufactured, distributed, possessed, or used within the workplace. At the property management level, our Health & Safety Policy and safety and health management system have obtained the ISO 45001 accreditation. Regular safety audits are conducted at our properties to assess and certify the effectiveness and reliability of our safety and health management system. During the year, no legal cases regarding health and safety were reported.

In 2023, we enlisted the services of an independent safety consultant to conduct regular safety inspections and offer guidance on our existing health and safety management system. These inspections reveal potential hazards, including the insufficient warning signages and noise level at the ventilation room. To ensure all employees are informed of the health and safety concerns, the findings are reported in the monthly meetings.

We are committed to creating a secure work environment for our employees and strive for a workplace free from fatalities. To ensure effective implementation of health and safety system, our Property Manager has established a Health and Safety Management Committee, led by the General Manager and composed of staff members of various ranks. The committee is responsible for the safety of our operations and regularly evaluates the incident prevention strategy across our properties.

We conduct regular training sessions to cover topics including safety principles, emergency procedures, proper use of chemical and electrical appliances, and any other hazards identified during the safety inspection. Our Property Manager takes the initiative to organise job-specific trainings for on-site staff members, including monthly toolbox talks (e.g., working at height, fire safety, occupational health, etc.) and metal scaffolds installation and dismantling. To keep our employees informed with the latest health and safety practices, we regularly distribute newsletters as a form of communication.



Caring for Staff

Total training hours on health and safety issues: **2,045** hours



Percentage of Property Manager's staff participated in health and safety training: **100%**



	Unit	2021	2022	2023
Lost days due to work injury	Day	0	0	0
Number of work-related fatalities	Person	0	0	0
Rate of work-related fatalities	%	0	0	0

We aim to create a healthy and friendly work environment for our frontline property management staff. Prosperity Place have been awarded an “Excellent Class” certificate under the Indoor Air Quality Certification, and all of our wholly owned properties, i.e. The Metropolis Tower, Prosperity Millennia Plaza, 9 Chong Yip Street and Trendy Centre, have received the “Good Class” certificate. We have also implemented stringent practices to ensure the health and safety practices of our supply chain. Our Property Manager mandates contractors to follow the Contractor Safety Regulations that have been included in the contractual documents.

ENRICHING CAREER AND PERFORMANCE REVIEW

To facilitate the professional growth of our employees, we have implemented a comprehensive performance review system. The system entails employees to set measurable goals and objectives annually, aligning their contributions with strategic objectives of the business unit or the organisation as a whole. By establishing a two-way communication channel, employees can gain a clear understanding of the company's expectations, while supervisors gain insights into the challenges faced by their subordinates. To incentivise employees and boost morale, we provide annual increment and promotion to employees who demonstrate exceptional work performances.

The following outlines the ongoing process of our performance review system:

Objectives/goal setting: At the start of the assessment period, staff members will have to complete the goal setting exercise for work attributes and individual development plans, which will then be under approval of the head of the business unit and supervisor. Employees are provided with guidelines to set goals according to the SMART principles and the updated job description approved by their supervisors. To indicate the priorities of the goals, a weighting score is given to each goal.

Ongoing feedback: Throughout the year, supervisors and staff members hold regular meetings to discuss and evaluate the progress made towards the set objectives/goals, work performance, individual development plans and the strengths and weaknesses of staff. It also provides the staff an opportunity to provide feedback and seek professional development.

Annual review: At the conclusion of the assessment period, a formal review process takes place. To ensure effective evaluation of the staff, guidelines outlining the evaluation criteria and steps are provided once again. The evaluation encompasses both work attributes, including performance on specific tasks or projects, and personal attributes, including communication, leadership, professional expertise and attributes to our core values. Supervisors assess, weigh and score these attributes to reflect the staff performance in relation to their objectives and the value they bring to the company. To encourage a two-way discussion, a face-to-face review is conducted between the staff and the immediate supervisor. The Human Resource Department is responsible in analysing staff remuneration packages, developments and training programmes.

Our performance review system ensures fair evaluation of employee performance and objective remuneration decisions. To maintain consistency and minimise potential bias in performance assessments, calibration sessions are conducted with supervisors. The performance review serves as a valuable tool for identifying gaps between our current training offerings and the actual and future training needs of our employees.



Caring for Staff

TALENT PIPELINE AND SUCCESSION PLANNING

Every year, we conduct a thorough evaluation of our employee structure to reinforce our talent pipeline, through engaging in discussions regarding development of new talent pools and forecasting our hiring needs based on industry trends and our company. During the review process, we carefully assess our pool of leaders to identify employees with the highest potential and to map successors for key leadership positions across multiple levels. This allows us to target our investment and tailor development support to different employees. In support of the development of new leaders within Prosperity REIT, we also allocate resources to employee development programmes, ensuring we train the most promising candidates to lead our organisation in the future.

To recruit young talents eager to pursue a career in the property management industry and cultivate future talents, we have established a well-structured management trainee (property management) programme for fresh graduates. Our trainees receive mentoring, on-site learning opportunities and ongoing performance coaching throughout the training period. Upon successfully completing the training programme, they will be promoted to managerial positions with potential advancements to senior management position.

LEARNING AND CAREER DEVELOPMENT

Our policy on career development highlights the significance of employees' career development and personal growth and encourages employees to participate in trainings aimed at improving their knowledge and skills. For new employees, our learning and developmental programme facilitates their growth within their roles and contribute positively to the organisation's success. Prosperity REIT has implemented training programmes for new employees to develop job-related skills and for managerial staff to enhance upward mobility.

Our training program encompasses a wide range of skills that aim to enhance the overall effectiveness of both the employees and the organisation upon boarding. Our learning and developing plans are designed to strengthen skills across various domains, including specific technical capabilities as well as broader business and leadership competencies. These trainings are delivered through a combination of the following methods:

Orientation programme: Our orientation programme helps employees understand our organisation, strategy, and values.

On-the-job training: Employees are given direct instruction from their supervisors for the tasks.

Internal and external training sessions: We provide employees with a diverse array of online or physical job-related training aimed at equipping them with the latest knowledge and skills relevant to the real estate industry and their specific roles within the organisation.

Caring for Staff

This year, our staff participated in these training sessions:

■ Site Visit To The BEC Building

The team joined a property tour at the BEC Building which showcases diverse range of green building attributes. There were fruitful discussions on various green building initiatives and market practices on reducing carbon footprint.



■ Webinar: Managing Goals And Cultivating Performance Mindset

A webinar was held to help employees tackle mental health issues. The webinar showed employees on how to identify and overcome obstacles, comprehend various mindsets and their influence on goal attainment, and cultivate a growth mindset.



■ Training Performance Management For People Managers

The group has also organised a training session for people managers. The training aims to equip people managers with the skills to identify factors that drive staff motivation, engage in giving effective feedback and manage difficult conversations.



Caring for Staff

■ Learning Bites: Boosting Productivity On Microsoft Teams

Group IT department held a sharing session on new knowledge and skills that will improve our work productivity on Microsoft Teams. We have learned to optimise our utilisation of Microsoft Teams more effectively and efficiently to maximise our productivity.



Sponsorship for professional development: We offer financial assistance to all employees for external professional development. In line with our commitment to excellence in sustainability practices, over 80% of Prosperity REIT's employees hold a professional ESG-related qualification, such as the CESGA, CEP, or BEAM Professional qualification.



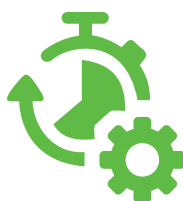
Percentage of employees who received ESG-specific training during the Reporting Year:

100%



Total training hours:

359 hours



Average training hours:

30 hours

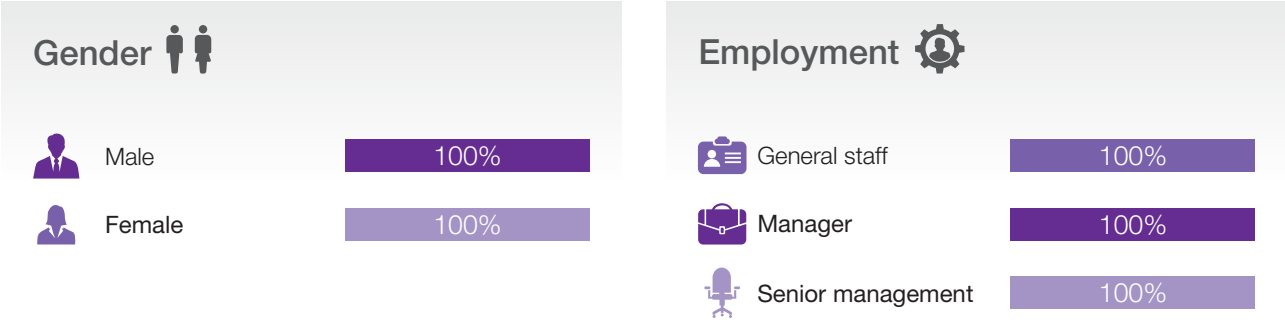


Percentage of employees trained:

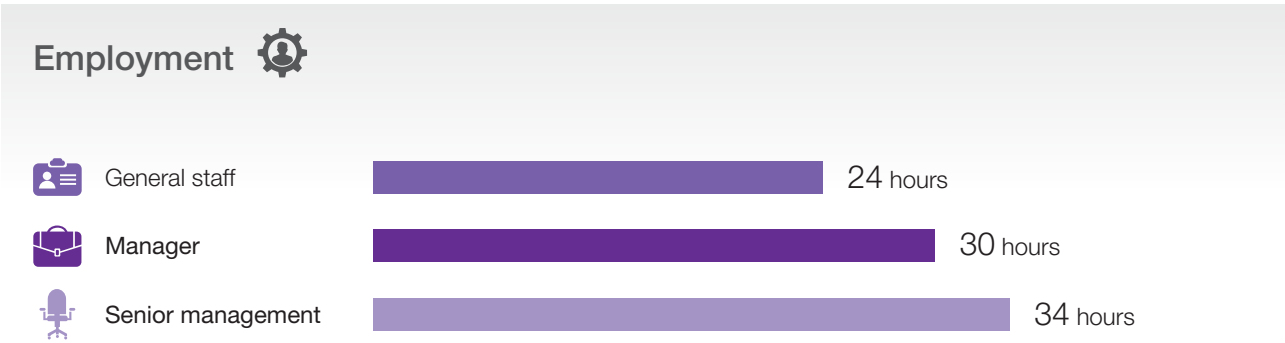
100%

Caring for Staff

PERCENTAGE OF EMPLOYEES TRAINED IN 2023 BY CATEGORY

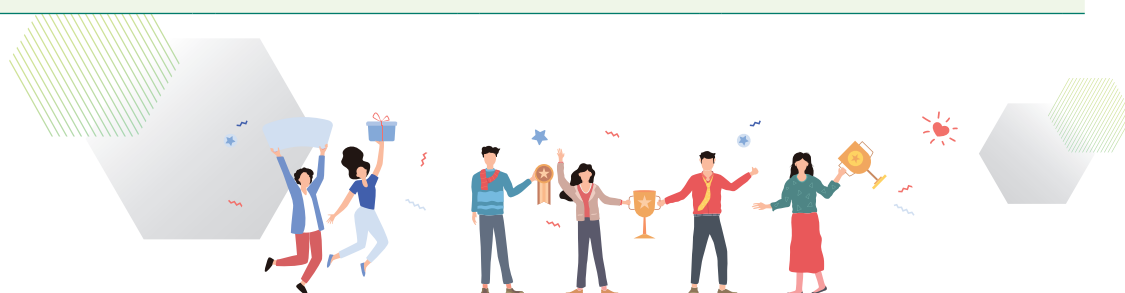


AVERAGE TRAINING HOURS IN 2023 BY CATEGORY



Our Awards

Name of Awards	Organisation	Award	Winning Entities
A. Global ESG Rating			
1. Global Real Estate Sustainability Benchmark (GRESB)	GRESB	5-star Rating	Prosperity Real Estate Investment Trust
2. Sustainalytics ESG Risk Rating	Morningstar Sustainalytics	Low Risk	Prosperity Real Estate Investment Trust
3. FTSE EPRA Nareit Global Real Estate Developed Index	FTSE Russell	Constituent	Prosperity Real Estate Investment Trust
B. Sustainability Awards			
1. WELL Building Standard	International WELL Building Institute™	Platinum	Prosperity Millennia Plaza
2. BEAM Plus EB V2.0 Comprehensive Scheme	Hong Kong Green Building Council Limited	Platinum	The Metropolis Tower
3. BEAM Plus EB V2.0 Selective Scheme (Energy Use)	Hong Kong Green Building Council Limited	Excellent	Prosperity Millennia Plaza
4. BEAM Plus EB V2.0 Selective Scheme (Management)	Hong Kong Green Building Council Limited	Excellent	The Metropolis Tower, 9 Chong Yip Street, Prosperity Place, Prosperity Center, Trendy Centre, New Treasure Centre
5. Green Building Award 2023	Hong Kong Green Building Council Limited	Merit Award (Facilities Management)	The Metropolis Tower
6. RICS Hong Kong Awards 2023	Royal Institution of Chartered Surveyors	Highly Commended (Facilities Management Team of the Year)	Prosperity Real Estate Investment Trust
7. Indoor Air Quality Certificate	Environmental Protection Department	Excellent	Prosperity Place
8. Indoor Air Quality Certificate	Environmental Protection Department	Good	The Metropolis Tower, 9 Chong Yip Street, Prosperity Millennia Plaza, Trendy Centre
9. Wastewi\$e Certificate	Environmental Campaign Committee	Excellent	The Metropolis Tower
10. Energywi\$e Certificate	Environmental Campaign Committee	Good	The Metropolis Tower



Our Awards

Name of Awards	Organisation	Award	Winning Entities
C. Social Awards			
1. Caring Company (2022-2023)	The Hong Kong Council of Social Services	10 Years Plus	ARA Asset Management (Prosperity) Limited
2. Corporate Partnership	Evangelical Lutheran Church of Hong Kong	6 Years Plus	ARA Asset Management (Prosperity) Limited
3. Hong Kong Volunteer Award 2023 (Corporate Award)	Agency for Volunteer Service	Top 10 Highest Volunteer Hours (Corporate with 100 or less than 100 full-time employees)	ARA Asset Management (Prosperity) Limited
4. Hong Kong Volunteer Award 2023 (Corporate Award)	Agency for Volunteer Service	Appreciation (500 hours or above)	ARA Asset Management (Prosperity) Limited
5. Joyful@Healthy Workplace Best Practices Award	Department of Health, Occupational Safety & Health Council, Labour Department	Merit	The Metropolis Tower
6. Hong Kong Occupational Safety & Health Award	Occupational Safety & Health Council	Excellence	Trendy Centre
7. Hong Kong Occupational Safety & Health Award	Occupational Safety & Health Council	Outstanding	The Metropolis Tower, Prosperity Millennia Plaza, Prosperity Place, 9 Chong Yip Street, Prosperity Center Property, New Treasure Centre
8. Best Property Safety Management Award	Occupational Safety & Health Council	Silver (Safety Culture)	The Metropolis Tower
D. Professional Membership			
Organisation	Membership	Entity	
1. Business Environmental Council	Corporate Member	Prosperity Real Estate Investment Trust	
 <p>BUSINESS ENVIRONMENT COUNCIL 商界環保協會 CORPORATE MEMBER since 2022</p>			



HKEX ESG Reporting Guide Content Index

Indicators	Reference	Page	Remarks	
<i>A. Environmental</i>				
Aspect A1: Emissions				
General disclosure	Caring for Nature	30		
KPI A1.1	The types of emissions and respective emissions data.	N/A	N/A	Air emission is not material to our operations.
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	Caring for Nature — Reducing Energy Consumption and Greenhouse Gas Emissions	42–43	
KPI A1.3	Total hazardous waste produced and intensity.	Caring for Nature — Limiting Waste Generation	49	
KPI A1.4	Total non-hazardous waste produced and intensity.	Caring for Nature — Limiting Waste Generation	49	
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Caring for Nature — Reducing Energy Consumption and Greenhouse Gas Emissions	40–41	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Caring for Nature — Limiting Waste Generation	47–48	We will set a quantitative waste reduction target at an appropriate time.
Aspect A2: Use of resources				
General disclosure	Caring for Nature	30		
KPI A2.1	Direct and indirect energy consumption by type in total and intensity.	Caring for Nature — Reducing Energy Consumption and Greenhouse Gas Emissions	42–43	
KPI A2.2	Water consumption in total and intensity.	Caring for Nature — Conserving Water Resources	46	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Caring for Nature — Reducing Energy Consumption and Greenhouse Gas Emissions	40–41	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them,	Caring for Nature — Conserving Water Resources	45	
KPI A2.5	Total packaging material used for finished products.	N/A	N/A	Our operation does not involve the use of packaging materials.
Aspect A3: The environment and natural resources				
General disclosure	Caring for Nature	30		
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Caring for Nature	30	
Aspect A4: Climate Change				
General disclosure	Caring for Nature — Climate Resilience	30		
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Caring for Nature — Climate Resilience	33–40	

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Indicators	Reference	Page	Remarks
<i>B. Social</i>			
Employment and labour practices			
Aspect B1: Employment			
General disclosure	Caring for Staff — Safeguarding Employee's Rights; Staff Cohesion and Wellbeing	60	
KPI B1.1 Total workforce by gender, employment type, age group and geographical region.	Caring for Staff — Safeguarding Employee's Rights	61–62	Hong Kong is the only location of operations covered in this report.
KPI B1.2 Employee turnover rate by gender, age group and geographical region.	Caring for Staff — Safeguarding Employee's Rights	62	Hong Kong is the only location of operations covered in this report.
Aspect B2: Health and safety			
General disclosure	Caring for Staff — Maintaining Workplace Safety and Health	67	
KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Caring for Staff — Maintaining Workplace Safety and Health	68	
KPI B2.2 Lost days due to work injury.	Caring for Staff — Maintaining Workplace Safety and Health	68	
KPI B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Caring for Staff — Maintaining Workplace Safety and Health	67–68	
Aspect B3: Development and training			
General disclosure	Caring for Staff — Learning and Career Development	70	
KPI B3.1 The percentage of employees trained by gender and employee category.	Caring for Staff — Maintaining Workplace Safety and Health; Learning and Career Development	68, 72–73	
KPI B3.2 The average training hours completed per employee by gender and employee category.	Caring for Staff — Learning and Career Development	73	
Aspect B4: Labour standards			
General disclosure	Caring for Staff — Safeguarding Employee's Rights	60	
KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	Caring for Staff — Safeguarding Employee's Rights; Maintaining Workplace Safety and Health	60, 67	
KPI B4.2 Description of steps taken to eliminate such practices when discovered.	Caring for Staff — Safeguarding Employee's Rights; Maintaining Workplace Safety and Health	60, 67	
Operating practices			
Aspect B5: Supply chain management			
General disclosure	Our ESG Governance and Management — Supply Chain Management	21	
KPI B5.1 Number of suppliers by geographical region.	Our ESG Governance and Management — Supply Chain Management	22	
KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Our ESG Governance and Management — Supply Chain Management	21–22	
KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Our ESG Governance and Management — Supply Chain Management	21–22	
KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Our ESG Governance and Management — Supply Chain Management	22	

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Indicators	Reference	Page	Remarks
Aspect B6: Product responsibility			
General disclosure	Caring for Tenants	56	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	Not relevant to our business.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Caring for Tenants — Tenant Satisfaction	56
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	N/A	Not material to our business.
KPI B6.4	Description of quality assurance process and recall procedures.	Caring for Tenants — Handling Complaints	56
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Caring for Tenants — Protecting Data and Privacy	56
Aspect B7: Anti-corruption			
General disclosure	Our ESG Governance and Management — Business Ethics	23	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Our ESG Governance and Management — Business Ethics	23
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Our ESG Governance and Management — Business Ethics	20, 23
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Our ESG Governance and Management — Business Ethics	23
Community			
Aspect B8: Community investment			
General disclosure	Caring for Community — Giving Back to the Society; Involving Our Staff	24	
KPI B8.1	Focus areas of contribution.	Caring for Community — Giving Back to the Society; Involving Our Staff	24–29
KPI B8.2	Resources contributed to the focus area.	Caring for Community — Giving Back to the Society; Involving Our Staff	24–25, 27–29



Independent Verification Statement



VERIFICATION STATEMENT

Scope and Objective

Hong Kong Quality Assurance Agency (“HKQAA”) was commissioned by Prosperity Real Estate Investment Trust (“Prosperity REIT”) to undertake an independent verification for its Sustainability Report 2023 (the “Report”).

The scope of HKQAA’s verification covers the data and information associated to Prosperity REIT’s sustainability performance as disclosed in the Report for the period from 1st January 2023 to 31st December 2023.

The objective of this verification is to provide a reasonable assurance on the reliability of the data and information disclosed in the Report to confirm their accuracy, reliability and objectivity.

Level of Assurance and Methodology

The process applied in this verification was referring to the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. Our evidence gathering process was designed to obtain a reasonable level of assurance as set out in the standard for the purpose of devising the verification conclusion. The extent of this verification process undertaken covered the criteria set in the Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) of The Stock Exchange of Hong Kong Limited.

The verification process included verifying the systems and processes implemented for collecting, collating and reporting the sustainability performance data, reviewing relevant documentation, interviewing responsible personnel with accountability for preparing the reporting contents and verifying selected representative sample of data and information. Raw data and supporting evidence of the selected samples were thoroughly examined during the verification process according to the sampling plan.

Independence

Prosperity REIT is responsible for the collection and presentation of the information presented. HKQAA does not involve in calculating, compiling, or in the development of the Report. Our verification activities are independent from Prosperity REIT.

Conclusion

Based on the verification results and in accordance with the verification procedures undertaken, it is the opinion of the HKQAA’s verification team that:

- The Report has complied with all mandatory disclosure requirements and “comply or explain” provisions outlined in the ESG Reporting Guide;
- The Report illustrates the sustainability performance of Prosperity REIT, covering all material aspects, in a balanced, clear, and comparable manner; and
- The data and information disclosed in the Report are reliable and complete.

In conclusion, the verification team confirmed that the Report was prepared based on factual statements and that the data contained within the Report are accurate. It is a fair and honest representation of initiatives and performance on Prosperity REIT’s sustainable development achievements.

Signed on behalf of Hong Kong Quality Assurance Agency

Connie Sham
Head of Audit
February 2024

Scope 3 Emissions Inventory

Scope 3 Category	Definitions	Source of Activity Data	Source of Emission Factor	GHG Emissions in 2023 (tCO ₂ e)
1 Purchased goods and services	Extraction, production and transportation of goods and services purchased and acquired that are not included in categories 2 to 8.	Primary procurement spend data from Prosperity REIT	US EPA EEIO	2,945
2 Capital goods	Extraction, production, and transportation of capital goods purchased or acquired by the company in the reporting year.	Primary procurement spend data from Prosperity REIT	US EPA EEIO	735
3 Energy-related activities	Emissions related to the production of fuels and energy purchased and consumed by the reporting company in the reporting year that are not included in scope 1 or scope 2 (e.g., transmission and distribution losses).	Primary energy data from properties managed by Prosperity REIT	Sustainability reports of the local utility companies for electricity in Hong Kong (CLP and HK Electric)	106
4 Upstream transportation and distribution	Transportation and distribution of products purchased in the reporting year, between a company's tier 1 suppliers and its own operations in vehicles not owned or operated by the reporting company. Third-party transportation and distribution services purchased by the reporting company in the reporting year.	Not applicable. The emission from upstream transportation and distribution activities are included in the scope 3 categories of "Purchased goods and services" and "Capital goods".		
5 Waste generated in operations	Emissions from waste treatment (e.g. disposal in landfill, incineration, composting, recovery for recycling, waste-to-energy, wastewater treatment, etc.) in facilities owned or operated by third parties.	Primary waste data from properties managed by Prosperity REIT	UK DEFRA (2022)	0.9
6 Business Travel	Emissions from transportation of employees for business-related activities in vehicles owned or operated by third parties (e.g. aircraft, train, bus, passenger car).	Land and air travel of Prosperity REIT employees	Not available as there were no business travel expenses incurred during the Reporting Year.	
7 Employee commuting	Emissions from transportation of employees between their homes and their worksites.	Number of Prosperity REIT employees	Carbon Footprint Management Toolkit for Sustainable Low-Carbon Living by City University of Hong Kong UK Government GHG conversion factors 2022	1.8
8 Upstream leased assets	Emissions from the operation of assets that are leased by the reporting company in the reporting year and not already included in the reporting company's scope 1 or scope 2 inventories.	Not applicable. Prosperity REIT's business nature does not involve operation of upstream leased assets.		
9 Downstream transportation and distribution	Emissions from transportation and distribution of sold products in vehicles and facilities not owned or controlled by the reporting company that occur in the reporting year.	Not applicable. Prosperity REIT's business nature does not involve sold products.		
10 Processing of sold products	Emissions from processing of sold intermediate products by third parties (e.g., manufacturers) subsequent to sale by the reporting company.	Not applicable. Prosperity REIT's business nature does not involve sold products.		
11 Use of sold products	Emissions from the use of goods and services sold by the reporting company in the reporting year.	Not applicable. Prosperity REIT's business nature does not involve sold products.		
12 End-of-life treatment of sold products	Emissions from waste disposal and treatment of products sold by the reporting company in the reporting year at the end of their life.	Not applicable. Prosperity REIT's business nature does not involve sold products.		

Scope 3 Emissions Inventory

Scope 3 Category	Definitions	Source of Activity Data	Source of Emission Factor	GHG Emissions in 2023 (tCO ₂ e)
13 Downstream leased assets	Operation of assets owned by Prosperity REIT (lessor) and leased to other entities in the reporting year, not included in scope 1 and scope 2 – reported by lessor.	Primary electricity data from Prosperity REIT	Sustainability reports of the local utility companies for electricity in Hong Kong (CLP and HK Electric)	5,518
14 Franchises	Operations of franchises not included in scope 1 and scope 2 – reported by Prosperity REIT.	Not applicable. Prosperity REIT's business nature does not involve operations of franchises.		
15 Investments	Emissions associated with investments by Prosperity REIT in the reporting year, not included in scope 1 and scope 2 – reported by Prosperity REIT.	Not applicable. All seven assets in the reporting scope are under the direct ownership and management of Prosperity REIT.		





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Stock Code: 808

Manager



Prosperity REIT is managed by
ARA Asset Management (Prosperity) Limited

