



## **YING LI INTERNATIONAL REAL ESTATE LIMITED**



**SUSTAINABILITY REPORT 2017**

## CONTENTS

<b>BOARD STATEMENT</b>	<b>3</b>
<b>INTRODUCTION</b>	<b>4</b>
ESG IN THE CONTEXT OF BUSINESS	4
<b>MATERIAL ESG FACTORS AND REPORTING FRAMEWORKS</b>	<b>5</b>
<b>ENVIRONMENTAL IMPACTS: OPERATIONAL FOOTPRINT</b>	<b>9</b>
BIODIVERSITY AND LAND MANAGEMENT	12
SUSTAINABILITY SERVICES	12
<b>SOCIAL IMPACTS</b>	<b>14</b>
EMPLOYEE DIVERSITY AND INCLUSION	14
HEALTH AND SAFETY	15
SOCIAL ENGAGEMENT	15
<b>GOVERNANCE</b>	<b>16</b>
DUAL BROKERAGE	16
APPRAISAL SERVICES	16
<b>TARGETS AND POLICIES</b>	<b>17</b>
<b>APPENDICES</b>	<b>18</b>
CALCULATING GREENHOUSE GAS EMISSIONS	18
<b>REFERENCES</b>	<b>18</b>

*The Board recognises and values the importance of the sustainable performance of Ying Li and oversees all sustainability factors and policies.*

## **BOARD STATEMENT**

*Ying Li International Real Estate Limited (“Ying Li” or “the Company”) is committed to balancing commercial viability with our responsibility to protect the environment and the communities of which we are a part of. We are excited to be presenting our first sustainability report for the financial year ended 31 December 2017 (FY 2017), building upon many years of responsible building development and management.*

*Environmentally friendly design has long been integrated into our properties and management, as well as our own onsite operations. Ying Li continually strives to minimise the negative footprint of operations whilst promoting positive social value and opportunity to our staff and the wider society. This includes working with strategic partners to procure quality construction materials that meet energy-saving and low-carbon emission environmental standards for our green architectural buildings. Construction technologies and processes integrate green environmental standards to minimise air pollution and greenhouse gas emissions.*

*Ying Li’s good practice was clearly evidenced when our International Finance Centre (IFC) became the first premier Grade A office building in Chongqing to be awarded the LEED certification by the U.S. Green Building Council in 2010, and continues to this day. Ying Li’s responsible practices are achieved while maintaining business excellence and delivering projects of the highest quality. This report highlights the environmental, social and governance (ESG) performance across all material impacts relevant to the Company. It identifies areas of continued improvement opportunity and incorporates targets for short-to-medium and long-term to help Ying Li continue to improve and achieve best practice across all activities.*

*The Board recognises and values the importance of the sustainable performance of Ying Li and oversees all sustainability factors and policies.*

*Investment buildings consume around 40% of the world's energy and contribute up to 30% of its annual GHG emissions.*

## **INTRODUCTION**

Ying Li International Real Estate Limited is a Chongqing-based property developer, principally engaged in the development, sale, rental, management and long-term ownership of high quality commercial, residential and bespoke properties in the prime locations of Chongqing.

Ying Li is listed on the Mainboard of the Singapore Exchange ("SGX-ST") under the stock code 5DM.

This ESG report covers Ying Li's Chinese owned and managed operations for the financial year commencing 1 January 2017 and ended 31 December 2017.

## **ESG IN THE CONTEXT OF BUSINESS**

Investment buildings consume around 40% of the world's energy and contribute up to 30% of its annual greenhouse gas (GHG) emissions. If current trends continue, CO<sub>2</sub> emissions caused by the sector are expected to increase by 70% by 2050 and energy consumption will double (PRI, 2016). This is not only damaging to the planet, but costly for businesses and tenants alike.

Global real estate asset managers are vital stakeholders in the efforts to reduce GHG emissions and slow climate change (IIGCC, 2016). Ying Li is operating a strong, sustainable brand and has the opportunity to promote this through quantified data and transparent ESG management. Green buildings consume less energy use and are typically more cost effective, which means potential cost saving opportunities for tenants.

In addition to energy use, the UNEP Sustainable Buildings & Climate Initiative estimates that the built environment is responsible for 30 percent of raw material and 25 percent of water use globally. For real estate companies to maintain their position and manage long term growth, investment in building projects will require optimized resource efficiency and where possible minimal ongoing water requirements.

Being pro-active in key materiality issues provides companies with the opportunity to increase their value, both in business and financial terms. Focusing on these material sustainability issues will allow companies to positively impact their growth both in terms of profit and customer bases, while failure to address externalities can cause immense harm to the Company's reputation and profitability.

## **MATERIAL ESG FACTORS AND REPORTING FRAMEWORKS**

Identifying the impacts that are material to investors and other stakeholders is crucial for real estate companies in order to streamline available resources.

Ying Li recognizes the importance of identifying the ESG issues important to the financial operation of its business, as well as stakeholders such as investors, tenants and society. This report focuses both the operational office space of Ying Li, but also the floor space leased by tenants. While direct control of impacts of its leased properties is not possible for Ying Li, it is able to influence good practice through guidance, provision of good equipment and facilities, and appropriate maintenance of sites.

*Ying Li recognizes the importance of identifying the ESG issues important to the financial operation of its business, as well as stakeholders such as investors, tenants and society.*

When considering materiality, Ying Li employed world-leading environmental data analysts, Trucost, part of S&P Dow Jones Indices, to conduct a two-phase assessment. During the initial assessment phase, Trucost considered all sector-level materiality to identify all issues relevant to companies operating in the sector. These themes were identified using the Sustainability Accounting Standards Board (SASB) Real Estate Services standard, investor trend review and a wider literature review.

Sector-level materiality was identified and refined based on specific practices of the Company. Many of these issues are not applicable to Ying Li due to its specific operations.

The graphic below highlights the material ESG issues identified for Ying Li. Sector material issues that are not relevant to Ying Li, but were considered, are represented with dark grey shading, while issues that are immaterial for sector and operations are coloured light grey.

EXHIBIT 1: MATERIAL ESG ISSUES FOR YING LI OPERATIONS



Source: Trucost analysis with input from SASB materiality review

The majority of the issues are focused around the management of the properties within Ying Li's portfolio. This includes energy, GHG and water management. While land management and biodiversity can be critical factors to consider for the sector in general, these are largely outside of Ying Li's remit and control due to majority of operations conducted for third parties, giving Ying Li limited influence over land selection.

Exhibit 2 displays where these themes are reported within this report.

EXHIBIT 2: ESG METRICS AND RELEVANCE TO COMPANY REPORT

TOPIC	ACCOUNTING METRIC	STATUS
Environmental footprint of own offices	Total energy consumption, percentage of grid electricity and renewable energy	Included, exhibit 3, page 11
	Water withdrawn, percentage recycled, percentage from regions with High or Extremely High Baseline Water Stress	Partially included, exhibits 3 and 6, pages 11 and 13
	Waste generated by type and management processes	Partially included, exhibit 3, page 11
	GHG emissions, by scope	Included, exhibits 3 and 4, pages 11 and 12
Recruiting and Managing a Global, Diversified Workforce	Number of employees	Included, page 14
	Percentage of gender and racial/ethnic group representation for executive roles and other employees	Partially included, exhibit 7, page 15
	Training provided to employees, by role type	Partially included, exhibit 8, page 15
Sustainability Services	Revenue from energy and sustainability services <sup>1</sup>	Explanation given, page 13
	(1) Floor area and (2) number of buildings under management provided with energy and sustainability services	Explanation given, page 13
	(1) Floor area and (2) number of buildings under management that obtained an energy rating	Explanation given, page 13
Energy management	Energy consumption data coverage as a percentage of floor area, by property subsector	Partially included, exhibit 5, page 12
	Total energy consumed by portfolio area with data coverage, percentage grid electricity, and percentage renewable, each by property subsector	Partially included, exhibit 5, page 12
	Like-for-like change in energy consumption of portfolio area with data coverage, by property subsector	First year of reporting, to be included in 2019 report
	Percentage of eligible portfolio that (1) has obtained an energy rating and (2) is certified to ENERGY STAR®, by property subsector	Equivalent included, page 11
	Description of how building energy management considerations are integrated into property investment analysis and operational strategy	Equivalent included, page 13

<sup>1</sup> Energy and sustainability services are defined as services provided to clients directly related to resource efficiency (including energy, water, and waste), utility data management, energy procurement, obtaining and retaining sustainability and resource-related certifications, environmental reporting, and corporate sustainability consulting and training.

TOPIC	ACCOUNTING METRIC	STATUS
Water management	Water withdrawal data coverage as a percentage of total floor area and percentage in regions with High or Extremely High Baseline Water Stress, each by property subsector	Partially included, page 13
	Total water withdrawn by portfolio area with data coverage and percentage in regions with High or Extremely High Baseline Water Stress, each by property subsector	Partially included, page 13
	Like-for-like change in water withdrawn for portfolio area with data coverage, by property subsector	First year of reporting, to be included in 2019 report
	Discussion of water management risks and description of strategies and practices to mitigate those risks	Partially included, page 12 & 13
Land Degradation, Contamination and Remediation	Policy on planning for, and/or managing, land assessment and remediation.	Not included as outside of Ying Li direct control. See page 13 for details of land management
	Policy on management and/or remediation of contamination or harmful materials such as asbestos, lead, chromium, mercury and man-made mineral fibres.	Not included as outside of Ying Li direct control. See page 13 for details of land management
	Policy and practices to identify risk of contamination and the containment or remediation strategies deployed.	Not included as outside of Ying Li direct control. See page 13 for details of land management
Transparent Information & Management of Conflict of Interest	Brokerage revenue from dual agency transactions	Included, 'Governance' section, page 17
	Revenue from transactions associated with appraisal services	Included, 'Governance' section, page 17
	Amount of legal and regulatory fines and settlements associated with professional integrity or duty of care	Included, 'Governance' section, page 17



GHG emissions to air are reported in line with the Greenhouse Gas Protocol. Ying Li's GHG emissions are dominated by purchased electricity, responsible for over 93% of its total footprint.

## ENVIRONMENTAL IMPACTS: OPERATIONAL FOOTPRINT

Ying Li considers environmental responsibility to be critical to the successful operation of its business. Ying Li presents itself as a high quality corporation focused around design, premium quality, eco-friendly features and rich user-experience in commercial property developments. As such, it is critical in a period of increasing scrutiny of practice that public, transparent ESG reporting is in place.

For the purposes of this report, GHG emissions to air are reported in line with the Greenhouse Gas Protocol, an international corporate accounting and reporting framework developed by the World Resources Institute and the World Business Council for Sustainable Development. The Greenhouse Gas Protocol differentiates between direct and indirect emissions using a classification system across 3 different scopes:

- **Scope 1** includes direct emissions from sources which a company owns or controls. This includes direct emissions from fuel combustion and industrial processes.
- **Scope 2** covers indirect emissions relating solely to the generation of purchased electricity that is consumed by the owned or controlled equipment or operations of the Company.
- **Scope 3** covers other indirect emissions including third-party provided business travel. No scope 3 impacts are included within this report.

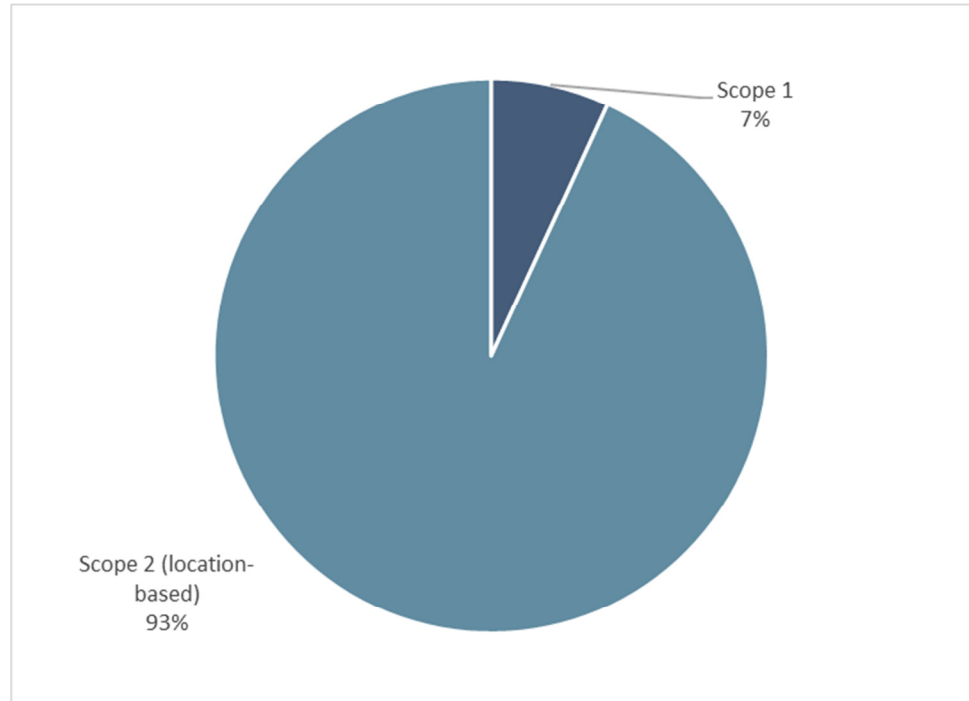
EXHIBIT 3: GROUP ENVIRONMENTAL IMPACTS

Item	Units	Quantity
<b>Energy use</b>		
Purchased electricity	MWh	26,933
Natural gas consumption	m <sup>3</sup>	634,192
<b>Company vehicles</b>		
Total distance travelled	km	163,239
Petrol consumed	litre	17,214
<b>Greenhouse gases</b>		
Scope 1	tCO <sub>2</sub> e	1,368
Scope 2 (location-based)	tCO <sub>2</sub> e	18,451
Scope 2 (market-based)	tCO <sub>2</sub> e	18,451
<b>Water consumption</b>		
Onsite	m <sup>3</sup>	333,633
<b>Waste generation</b>		
Onsite	MT	1,706
Construction	MT	2,480

Currently only natural gas and grid electricity are used onsite. The International Energy Agency emission factor is used to determine GHG emissions associated with purchased electricity in China.

SASB recommends ENERGY STAR certification for real estate companies. Though the Company does not have ENERGY STAR certification, Ying Li has Leadership in Energy and Environmental Design (LEED) certification incorporated into its sites where possible, with 42% of the Ying Li portfolio LEED certified. LEED is the most widely used green building rating system in the world and LEED certified buildings save energy, water, resources, generate less waste and support human health (USGBC, 2018).

EXHIBIT 4: GHG EMISSIONS BY SCOPE



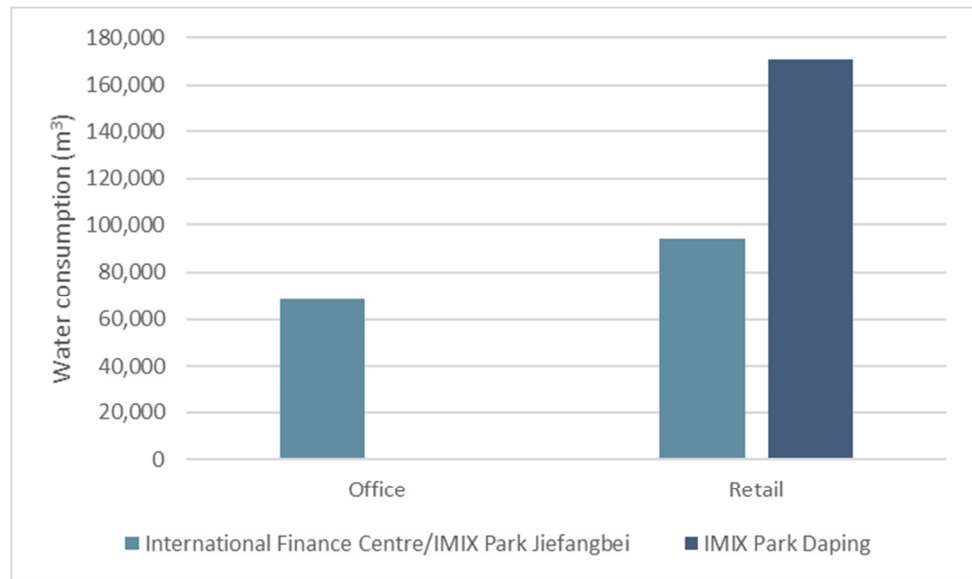
Over 93% of the captured GHG emissions are associated with purchased electricity across the sites, with comparatively little emissions from direct fuel use within either the retail or office space owned and managed by Ying Li.

EXHIBIT 5: ELECTRICITY CONSUMPTION BY BUILDING TYPE



Office consumption of electricity is significantly lower than that used in retail, but this is largely due to total floor space, with intensity 9% lower for office buildings than retail.

EXHIBIT 6: WATER CONSUMPTION BY LOCATION



Activities across Ying Li's operations in both owned and managed properties are not water intensive, largely limited to domestic uses such as hand basins and toilets. Water is supplied from mains and no direct abstraction is undertaken.

Water intensity is higher in office space than retail space, with 2.3 and 1.8 m<sup>3</sup> per m<sup>2</sup>.

**BIODIVERSITY AND LAND MANAGEMENT**

All of Ying Li's development projects are within the land allocated by the municipal government of Chongqing for residential and/or commercial use. As such, selection and assessment of land for development is often outside of its primary remit. With proper land planning taking into account the environmental stakes by the municipal government of Chongqing, natural resources and ecological communities are not exploited or endangered.

In addition, much of Ying Li's focus has been on urban renewal, transforming areas of old Chongqing districts into high-value urban integrated commercial developments of office space and shopping malls. Through this focus, Ying Li has aided the enhancement of the viability and liveability of those areas, utilising and enhancing the existing environment while retaining the character of the sites.

**SUSTAINABILITY SERVICES**

Ying Li has adopted energy conservation and emission reduction measures and actions, and to provide customers with some of the services related to sustainable development. Ying Li does not directly offer sustainability services as a paid function, therefore this is not an applicable metric for inclusion.

Some examples of how this has been achieved with tenants are included below:

- Tenants are provided data analysis of their water and electricity usage to help tenants to control usage within the reasonable range. The payment of utilities is borne by the tenant but the tenants will make the payment out to the property management which will then send the payment to the utility company.
- The Company will communicate with new tenants on energy-saving measures before the opening of their stores/office aimed to improve the overall energy-saving target of the whole IFC development (mall and offices).
- The Company has been advocating water conservation, electricity saving, energy conservation as well as environmental protection. This includes use of guidance signs in common areas, including toilets to remind shoppers and tenants of the overarching green movement.

Furthermore, Ying Li has developed a series of initiatives to ensure buildings are well-equipped to minimise resource use. This includes:

- Ongoing activities related to sustainable development certification and training or consultation on sustainable development. This includes LEED certification of sites where possible.
- Appropriate insulation and ventilation to minimise artificial heating and cooling requirements.
- Adopting energy efficient technologies such as smart lighting, energy efficient bulbs, exhaust heat recycling systems and recycled water systems for air conditioning.

## SOCIAL IMPACTS

Ying Li recognizes that successful business relies on a positive and well-managed workforce. It embraces diversity and understands the value of empowerment and inclusion. Ying Li's track record of consistent growth would not have been possible without the talents and hard work of its employees at all levels, from top management to ground level operations and administrative staff.

### EMPLOYEE DIVERSITY AND INCLUSION

As of 31 December 2017, Ying Li employed a total of 159 full-time employees, approximately 43% of whom are female. The Company strictly complies with relevant domestic laws and regulations to ensure that men and women employ workers in a fair manner and that employment discrimination is strictly prohibited.

#### EXHIBIT 7: GROUP DIVERSITY AND EMPLOYEE REPRESENTATION

Item	Executive	Non-executive
<b>Gender of employees</b>		
Male	77%	56%
Female	23%	45%
<b>Age diversity</b>		
Under 30	0 %	22%
30-50	46%	70%
Over 50	54%	8%

Ying Li places great importance on the personal development of its employees and encourages them to constantly upgrade and develop according to their own abilities and in the area of their expertise. The Company also established a sound performance management system and continues to optimize it to ensure mutual progress of the Company and employees.

#### EXHIBIT 8: TRAINING PROVIDED TO YING LI EMPLOYEES PER YEAR

Item	Quantity
Average number of hours of training per employee (hours)	4.6
Total expenditure on employee training (in RMB)	30,029

Training provided to staff includes internal, external and induction training.

## HEALTH AND SAFETY

Ying Li maintains a zero injury and fatality record onsite. Due to the general activity of the business, onsite health and safety is not a probable risk for staff, however the Company considers the health and well-being of its staff to be paramount. Ying Li introduced company-wide fitness programmes to provide wellness care and team bonding such as basketball, badminton, outdoor climbing and team trips.

### EXHIBIT 9: GROUP HEALTH AND SAFETY

Item	Number	Per 100 staff
Recorded Injuries	0	0
Exposure to hazardous substance	0	0

The Company places great emphasis on employee care. Every year during festivals such as New Year's Day, Chinese New Year, Dragon Boat Festival, Mid-Autumn Festival and other major holidays and employees' birthday, all employees are given special incentives. During the festivals such as Women's Day and Children's Day, the Company also provides special incentives for female employees and families with children.

## SOCIAL ENGAGEMENT

Ying Li encourages all staff to be active and socially responsible by participating in charity programmes for the less privileged in society, volunteering their time and work for natural disaster assistance programmes, educational assistance programs and environmental enhancement initiatives.

*The Board is committed to ensuring that the highest standards of corporate governance are practiced throughout Ying Li International Real Estate.*

## **GOVERNANCE**

The Board of Directors (the “Board”) is committed to ensuring that the highest standards of corporate governance are practiced throughout Ying Li International Real Estate Limited and its subsidiaries as a fundamental part of its responsibilities to protect and enhance shareholder value and the financial performance of the Company.

The Board objectively makes decisions in the interests of the Company and has delegated specific responsibilities to three Board Committees, namely:

- (1) Audit Committee (“AC”)
- (2) Nominating Committee (“NC”)
- (3) Remuneration Committee (“RC”)

The Board accepts that while these Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility for all matters lies with the Board. The effectiveness of each Board Committee is also constantly monitored by the Board.

## **DUAL BROKERAGE**

Ying Li does not have any dual brokerage activity, and in any circumstance where the potential conflict of interest may arise, a third party agency is sought to act on the behalf of the buyer/seller as appropriate.

## **APPRAISAL SERVICES**

Ying Li does not offer any appraisal services directly and as such receives no revenue from such activity.

## **LEGAL AND REGULATORY FINES**

Ying Li has not been issued any legal or regulatory fines or settlements associated with professional integrity or duty of care in the reporting year.



## TARGETS AND POLICIES

*Ying Li has relatively small direct impacts, with the majority of its influence associated with the management and operations of the buildings it owns. Many of these impacts are associated with tenant activity and as such, Ying Li does not have full control, though does have an influence through building design, sustainability services and advice.*

*The most significant environmental impact associated with direct operations of Ying Li is the electricity purchased, associated with over 93% of the carbon footprint.*

*The following targets are set:*

- *Review energy use and consider reduction and efficiency opportunities*
- *Review water use across all properties, including water sources and scarcity*
- *Review generation of waste and consider reduction opportunities*
- *Continue to commit to a safe and healthy workplace*
- *Look into enhancing employee training and development*

*Ying Li has relatively small direct impacts, with the majority of its influence associated with the management and operations of the buildings it owns.*

## APPENDICES

### CALCULATING GREENHOUSE GAS EMISSIONS

Different GHGs have different Global Warming Potentials (GWP)<sup>2</sup> or abilities to contribute to rising temperatures. Data is standardised by converting the different greenhouse gases into their carbon dioxide equivalent according to the GWP index published by the Intergovernmental Panel on Climate Change (IPCC)<sup>3</sup>. The index identifies the radiative effects of different GHGs in the atmosphere relative to an equal mass of CO<sub>2</sub> over a 100-year timeframe. GWP enables all the GHGs to be expressed in terms of CO<sub>2</sub> equivalents, or CO<sub>2</sub>e. Trucost derived quantities of GHG emissions from data on operational and vehicle fuel consumption, electricity use and business travel.

### REFERENCES

IIGCC (2016) *Sustainable Real Estate Investment Implementing The Paris Climate Agreement: An Action Framework* Available online <http://iigcc.org/files/publication->

<files/Sustainable Real Estate Investment Framework website.compressed.pdf> [Accessed 04/01/2018]

PRI (2016) *Sustainable Real Estate Investments* Available online from

<http://www.unepfi.org/publications/investment-publications/property-publications/sustainable-real-estate-investment-2/> [Accessed 17/07/2017]

U.S. Green Building Council (2018) *LEED is green building* Available from: <https://new.usgbc.org/leed#how-leed-works> [Accessed 13/03/2018]

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<sup>2</sup> **Global Warming Potential (GWP)** is the ratio of the warming of the atmosphere caused by one substance to that caused by a similar mass of carbon dioxide which is assigned a reference value of 1.

<sup>3</sup> **The Intergovernmental Panel on Climate Change (IPCC)** is a scientific intergovernmental body set up by the World Meteorological Organisation (WMO) and by the United Nations Environment Programme (UNEP) with a mandate to provide an objective source of information about climate change.