



## **SUSTAINABILITY REPORT** **Contents**

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# SUSTAINABILITY REPORT

## About This Report

Manulife US REIT (MUST or the REIT) is a Singapore Real Estate Investment Trust (REIT) managed by Manulife US Real Estate Management Pte. Ltd. (the Manager), established with the investment strategy principally to invest, directly or indirectly, in a portfolio of income-producing office real estate in key markets in the United States (U.S.), as well as real estate-related assets. The Manager is wholly owned by The Manufacturers Life Insurance Company (the Sponsor) which is part of the Manulife Group. John Hancock Life Insurance Company (U.S.) (JHUSA) has been appointed as the property manager (the Property Manager) for the properties.

The REIT's inaugural Sustainability Report is an affirmation of commitment to sustainability. It addresses the REIT's sustainability approach, activities and performance from 1 January to 31 December 2017, with comparative data for the same period in 2016. This report has been prepared by the Manager in compliance with the SGX-ST Listing Rules 711A and 711B, with reference to the Global Reporting Initiative (GRI) Standards (2016), and includes consideration of the GRI Construction and Real Estate Sector Disclosures. The GRI Content Index and the relevant references are presented on pages 66 to 67 and should be read together with MUST's Annual Report 2017. A pdf version can be downloaded from <http://www.manulifeusreit.sg>.

Please forward any inquiries, comments or feedback on the REIT's sustainability performance and / or inaugural Sustainability Report to [usreit inquiry@manulifeusreit.sg](mailto:usreit inquiry@manulifeusreit.sg) as the Manager continues its effort to improve its reporting.

## Reporting Scope

This report focuses on the activities of the REIT, the Manager and the underlying properties in the U.S.: Figueroa, Peachtree and Michelson. Data from the recent acquisitions of Plaza and Exchange will be included in 2018's Sustainability Report.

## Board Statement

The Board is pleased to present the REIT's first Sustainability Report. This report describes how business has been conducted over the last financial year to ensure long-term value creation for Unitholders, employees and other stakeholders. In addition, it sets out the intention and direction for sustainability in the future.

The Board oversees the direction of sustainability for MUST as well as the management of sustainability related performance. The Manager has initiated and directed the development of the Sustainability Report, including the identification of the REIT's material Environmental, Social and Governance (ESG) factors. The Board is supported by the Sustainability Committee, made up of senior management from both the Manager and the REIT's Property Manager.

This Sustainability Report is aligned to the SGX-ST Listing Rules 711A and 711B and references the internationally recognised GRI Standards (2016).

## 2017 SUSTAINABILITY HIGHLIGHTS






Investments	Participation in the Global Real Estate Standards Board (GRESB), achieving a score of 76
Approach	Alignment of sustainability efforts with the United Nations Sustainable Development Goals (SDGs)
Properties	<p>4.6% reduction in energy intensity            4.9% reduction in Greenhouse Gas (GHG) emission intensity            8.8% reduction in water intensity</p> <p>Energy efficiency ratings for all properties:</p> <ul style="list-style-type: none"> <li>• Figueroa ENERGY STAR</li> <li>• Michelson ENERGY STAR</li> <li>• Peachtree LEED™ Gold</li> <li>• Plaza ENERGY STAR</li> <li>• Exchange ENERGY STAR</li> </ul>
Outreach	Effective engagement of key stakeholders such as investors, tenants and local communities
Employees (Full-time and contract) as at 31 December 2017	<p>Doubled staff strength to 13 employees            Average 31.2 training hours per employee            Diversification of employees with 61.5% female and 38.5% male</p>
Regulatory Governance	No incident of non-compliance with laws and regulations resulting in fines or sanctions

# SUSTAINABILITY REPORT

## Objectives

The Manager aims to improve its sustainability performance in these aspects:

Aspects	Targets
 Investments	 <ul style="list-style-type: none"> <li>• Improve GRESB scores in 2018</li> </ul>
 Properties	 <ul style="list-style-type: none"> <li>• Maintain or reduce water consumption and intensity</li> <li>• Maintain or reduce energy consumption and intensity</li> <li>• Maintain or reduce GHG emission and intensity</li> <li>• Achieve LEED Gold certification for Exchange</li> </ul>
 Outreach	 <ul style="list-style-type: none"> <li>• Increase investors' engagement activities in 2018</li> <li>• Maintain or improve our tenant satisfaction surveys score</li> <li>• Increase donations</li> <li>• Increase employee volunteer hours committed</li> </ul>
 Employees (Full-time and contract)	 <ul style="list-style-type: none"> <li>• Maintain high participation for Employee Engagement Survey</li> </ul>
 Regulatory Governance	 <ul style="list-style-type: none"> <li>• Maintain zero incidents of non-compliance with relevant laws and regulations in 2018</li> </ul>

## Sustainability Approach

The Manager believes that integrating sustainable and responsible ESG practices are key to the successful investment management process and day-to-day operations of the REIT and its properties. With this in mind, in 2017, the Manager established a Sustainability Committee and laid out its aspiration to offer a sustainable property portfolio and implemented a best-in-class approach to sustainability. During 2017, a sustainability governance structure and various processes were established to allow for effective monitoring and management of sustainability performance at both the REIT and property level.

Aligned to the sustainability strategies and activities of its Sponsor, the Manager holds the conviction that a strong and effective sustainability strategy can deliver a number of benefits. Unitholders have an interest in this area as empirical evidence suggests that sustainability management contributes to stable long-term returns. Tenants too, are increasingly appreciative of green buildings and the social and wellness facilities provided at the REIT's properties. In order to maintain and strengthen its workforce, the Manager believes that employees' loyalty can be enhanced by providing a conducive working environment and various talent retention initiatives.

Being a respected employer and landlord as well as a proactive community partner builds a trusted brand. Additionally, reducing the impact on the environment protects the planet and at the same time drives cost savings related to energy and water use, GHG emissions and waste management.

To emphasise the REIT's commitment to sustainability, MUST participated in the GRESB annual benchmarking assessment in 2017. The Manager is delighted to announce that the REIT received a score of 76, which was higher than the global GRESB average of 63. MUST's portfolio attained scores higher than the GRESB average across all aspects, and performed better than its peer group in the following categories: Policy and Disclosure, Monitoring and Environmental Management Systems (EMS), and Performance Indicators.

In 2017, the REIT's property management team worked hard and its efforts paid off as the REIT recorded a 4.6% decrease in energy intensity, a 4.9% decrease in GHG emissions intensity and 8.8% decrease in water consumption intensity. The Manager will continue to consider ESG aspects in its investment decisions and aim to seek green building certifications for its new properties. Currently, all five of the properties are certified ENERGY STAR. In addition, Michelson attained a Leadership in Energy and Environmental Design (LEED) Gold certification and the intention is to obtain LEED certification in the newly acquired property, Exchange.

The Manager has continuously engaged investors, tenants, and the local community to determine and meet their sustainability needs and concerns. For example, state of the art energy storing systems have been operational at Michelson. Electric vehicle charging stations were recently installed at Figueroa, Michelson and Peachtree and Exchange intends to follow suit.

During 2017, the Manager met with more than 1,000 investors, analysts and media as part of its engagement initiatives. Other stakeholder engagement initiatives include tenant satisfaction surveys, which are undertaken in alternate years. In 2016, 76.0% of the tenants in MUST's portfolio completed the survey. The Manager is looking forward with interest to the results of the 2018 survey.

Since the REIT's IPO in May 2016, the Manager has almost doubled its full-time and contract staff to 13 as at 31 December 2017. Most of the key executives are long-serving employees with the Sponsor, averaging of over six years of service.

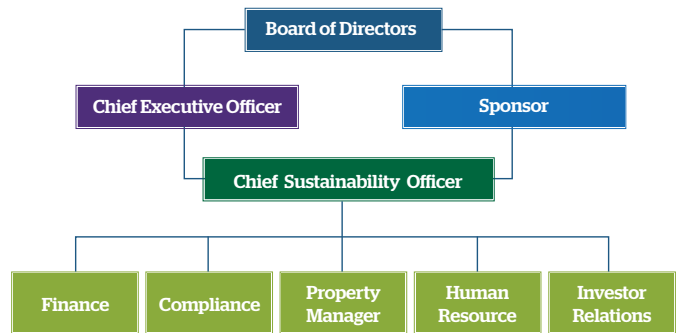
On the governance side, there has been no incidence of non-compliance with any relevant laws or regulations over the last year and the target is to continue this spotless performance.

The Manager, with the continued support of the Sponsor, look forward to building on these achievements and extending its sustainability efforts in 2018 and beyond.

## Sustainability Governance

MUST took its first step to formalise its commitment to sustainability by establishing a Sustainability Steering Committee (SSC) that includes senior management, representatives from the Manager and the REIT's Property Manager. The SSC is headed by the Chief Sustainability Officer, Ms Caroline Fong, who leads sustainability strategies and action plans, sets achievement targets, oversees and reviews monitoring processes and drives sustainability performance. The committee does not work in isolation, instead, it engages the employees, key stakeholders and the Property Manager who is governed by a range of policies on sustainability management. In addition, the SSC shares the REIT's sustainability performance with the Board on a regular basis.

## Sustainability Steering Committee Chart



### The Property Manager, JHUSA Sustainable Real Estate Policy

The REIT's Property Manager has a long track record of managing sustainability and has been measuring and reporting energy consumption and carbon emissions for more than 10 years. Its vision is to drive leadership in sustainable real estate practices across its global organisation and to provide healthy and efficient workplaces for its tenants and community partners, while enhancing long-term returns.

Sustainable property management is guided through a Sustainable Real Estate Policy. This policy outlines five sustainability commitment areas.

To help the Property Manager meet its commitments, it has a suite of sustainability practices and checklists. The Engineering and Technical Services team provides expert guidance on operational practices and capital investments and handles the Property Manager's sustainability programmes. The Executive Sustainability Steering Committee, which is made up of senior real estate representatives from

key departments and regions, oversees progress towards achieving Manulife Real Estate sustainability vision and strategy, and ensures that it adheres to commitments, corporate policies and practices. To find out more, please refer to Manulife Real Estate's Sustainability Report (<https://manuliferealestate.com/social-responsibility>).

Entities within the Manulife Group take part in, and are members of the following global initiatives at an organisational level:

- Manulife Real Estate is a member of GRESB and participates in the assessment for all portfolios and funds, including MUST.
- Manulife Asset Management, including Manulife Real Estate, are signatories to the Principles for Responsible Investment.
- Manulife Financial Corporation takes part in the Carbon Disclosure Project.
- Manulife Financial Corporation is included in the Dow Jones Sustainability Index.



# SUSTAINABILITY REPORT










## Materiality

### Materiality Assessment

In May 2017, the Manager, in accordance with the GRI Materiality Principle, carried out a materiality assessment in conjunction with an external consultant. The first part of the assessment identified various ESG factors that might be material through evaluating the business in the wider sustainability context as well as within the real estate and REIT industry. The next step was to prioritise the potential material factors, and this was conducted via a workshop with the SSC members. The material ESG factors were then submitted to and approved by the Board.

The Manager interacts on a regular basis with a variety of communities, including stakeholders, Unitholders, tenants and local communities. These are integrated into the materiality assessment to determine how the Manager can improve its engagements with these groups. More details can be found in page 59 under “Engaging Communities”.

The GRI’s Reporting Principles were adopted in this materiality assessment and throughout the development of this report.

 <p><b>Stakeholder Inclusiveness</b></p>	<p>Engaging stakeholders is imperative for the success of the performance of the REIT as well as the sustainability performance. See p.59 for details.</p>
 <p><b>Sustainability Context</b></p>	<p>As a Singapore REIT with properties in the U.S., sustainability context is international. Sustainability issues are tracked through community engagement and the REIT is involved in global movements and benchmarking such as GRESB.</p>
 <p><b>Materiality</b></p>	<p>Identifying what is material in terms of sustainability is necessary for a targeted and strategic sustainability approach. See p.54 for details.</p>
 <p><b>Completeness</b></p>	<p>Relevant business activities are described in this report. See more on the report boundary on p.54.</p>
 <p><b>Balance</b></p>	<p>This report bears the concept of balance and has been kept in mind to ensure transparency and fairness.</p>
 <p><b>Comparability</b></p>	<p>The use of GRI Standards enables some level of standardisation in the report, allowing comparability versus peers.</p>
 <p><b>Accuracy and Reliability</b></p>	<p>Various levels of checking of information and processes are put in place to ensure accuracy and reliability of information.</p>
 <p><b>Timeliness</b></p>	<p>Sustainability performance is in line with annual financial reporting.</p>
 <p><b>Clarity</b></p>	<p>Considerable thought has been given to the structure, layout and phrasing of the report.</p>

## Material ESG Factors



1. Economic Performance



2. Investment Management  
3. Energy, Emissions and Water








4. Engaging Communities  
5. Talent Retention  
6. Training, Education and Leadership  
7. Diversity and Equal Opportunity



8. Regulatory Compliance

Material factors were not considered in isolation, but selected based on their contribution to both the improvement of the REIT's sustainability performance and global sustainability

efforts. The Manager has considered some of the United Nations' SDGs for the REIT's materiality assessment as below:

SDGs	 <b>Goal 5:</b> Achieve gender equality and empower all women and girls	 <b>Goal 7:</b> Ensure access to affordable, reliable, sustainable and modern energy	 <b>Goal 8:</b> Promote inclusive and sustainable economic growth, employment and decent work	 <b>Goal 12:</b> Ensure sustainable consumption and production patterns	 <b>Goal 17:</b> Revitalise the global partnership for sustainable development
How MUST Supports These Goals	<p>The Manager and the Sponsor highly value diversity and equal opportunity in the work place and as a result, the employees in the Manager meet these objectives.</p>	<p>MUST aims to support the clean energy industry by encouraging the use of electric vehicles and exploring opportunities for renewable energy use.</p>	<p>The Manager strives to support and nurture employees in a number of ways and also focuses on more vulnerable parts of society in terms of Corporate Social Responsibility (CSR).</p>	<p>Consumption of natural resources occurs through electricity and water usage, renovation and maintenance of properties. Both the Manager and the REIT's Property Manager work to find opportunities to reduce the use of natural resources.</p>	<p>Entities within Manulife Group works with a number of organisations to support and further the real estate industry's sustainability agenda.</p>

# SUSTAINABILITY REPORT

## Investment Management



Investment decisions are important as they impact the distributions to our Unitholders. The Chief Investment Officer (CIO) works with the management team to execute the investment programme of the Manager. The CIO, together with the U.S. acquisition teams, are responsible for identifying and evaluating potential investments with the view of enhancing the REIT's portfolio. When evaluating a potential investment, the team is guided by an internal investment checklist and policies to determine its impact on the overall portfolio. All acquisitions have to be vetted by the management team and ultimately approved by the Board of Directors.

ESG aspects in acquisitions are addressed through the following:


- (1) Sustainability in Investment and Due Diligence Checklist which covers:
  - Environmental risks and building efficiency
- (2) The Asset Management Sustainability Checklist considers sustainability performance and programmes including:
  - Green building certification
  - Performance versus targets and / or benchmarks
  - Sustainability awards and recognition
  - Overview of proposed sustainability programmes or initiatives
  - Summary of any green lease clauses or agreements with tenants regarding sustainability collaboration
  - Details of any energy, water or waste audits or energy recommissioning studies

Although properties are not exclusively selected for their environmental and social attributes, the Manager recognises that a sustainable portfolio can have a positive impact on the REIT's financial performance. The latest study conducted in the North America and published in the Journal of Portfolio Management showed that LEED™ and ENERGY STAR certified buildings in the U.S. achieved on average higher net rents, higher tenant satisfaction, lower energy consumption, lower rent concessions, lower vacancy and higher renewal rates.

Through a vertically integrated platform, the CIO works with the Property Manager to continuously review and recommend ongoing capital and operational improvement plans through Asset Enhancement Initiatives (AEI). These plans relate to operational efficiency of the building while maintaining the quality of maintenance and services. AEIs also help to maintain high tenant retention and occupancy levels which in turn deliver higher rental income.

The Property Manager also initiates creative enhancements in its properties to cater to different users' needs. For example, Light Emitting Diode (LED) lights were installed in Michelson's common areas to improve the lighting conditions and reduce electricity costs. During the year, Peachtree and Figueroa completed its multi-year lift lobby and restroom refurbishment programme. In Peachtree, a conference centre was also upgraded. Other initiatives included restroom enhancements for greater accessibility, nursing rooms to support working mothers, and converting a car park space into a gym to promote an active and healthy lifestyle. The improvements in lift lobbies and corridors also created a pleasant and welcoming environment for tenants.

## FY2017 Performance and Target

GRESB Score	Target
 <ul style="list-style-type: none"> <li>• Used as a reflection of ESG integration in the investment management processes. A score of 76 was received.</li> </ul>	 <ul style="list-style-type: none"> <li>• Improve GRESB scores compared to prior year</li> </ul>



### GRESB

GRESB is an investor-led initiative that assesses the ESG performance of real estate companies and funds. In 2017, The REIT took part in the GRESB Benchmark assessment and received a "Green Star" ranking with a score of 76, higher than the global average of 63. This performance was driven by better scores in the following categories: Policy and Disclosure, Monitoring and Environmental Management Systems (EMS), and Performance Indicators.

## Energy, Emissions and Water



The Manager aims to minimise the environmental impacts of MUST's properties through efficient operations. The property management team is responsible for actively overseeing environmental performance and providing feedback to the Manager. The Engineering and Technical Services team also provides expert guidance on improving the sustainability efforts for the properties.

There are several initiatives in place to monitor the environmental performance:

- Third party systems to report on energy, GHG emissions, water consumption, and waste production and diversion
- Environmental Inspection Reports by relevant regulatory bodies
- Energy, water and indoor air quality audits conducted by third parties
- Annual GRESB property survey
- Green building certification and renewal processes

## Energy Efficiency

The Property Manager, on behalf of the REIT, is constantly looking for opportunities to increase energy efficiency. A decrease in energy usage may lead to substantial cost savings for tenants as well as reduces GHG emissions. In addition, eco-efficient buildings are increasingly in demand by tenants, especially in those areas where the REIT's properties are located, prioritising environmental criteria in their rental consideration.

### Case Study: Michelson

At Michelson, Tesla was contracted to install and connect a series of high-tech batteries to the property's main power supply. The batteries are charged at night when utility rates are low, and discharged during the day as supplemental power, when utility rates are at peak levels. This project reduces demand for electricity during peak hours, and reduces operating cost by US\$120,000 annually. Lighting upgrades to energy efficient lightbulbs are continuously underway and options are being considered in regards to the installation of on-site renewable energy.

Figuroa	Michelson	Peachtree
<ul style="list-style-type: none"> <li>• Installed Variable Frequency Drive (VFD), Direct Digital Controls (DDC), Demand Flow and auto power sweep at 6pm in the building to reduce energy consumption</li> <li>• Installed eight electric charging stations for vehicles</li> </ul>	<ul style="list-style-type: none"> <li>• Refitted LED in the car park, including the pole lights, building stairwells and all multi-tenant corridors</li> <li>• Installed Pony chiller which is a smaller chiller that provides after hours Heating, Ventilation and Air Conditioning (HVAC)</li> <li>• Operated battery storage which reduced peak electricity usage</li> <li>• Upgraded the Energy Management System to increase the efficiency of HVAC system</li> <li>• Installed energy efficiency software for HVAC system</li> <li>• Converted Central to Variable Flow (added VFD to condenser water pump)</li> </ul>	<ul style="list-style-type: none"> <li>• Upgraded the Energy Management system to increase the efficiency of HVAC system</li> <li>• Converted the building's interior and exterior lightings to highly efficient options or LED</li> <li>• Installed the Heat Return Unit (HRU) system which takes the warm exhaust from the building and uses it to heat the outside air before it is pumped into the building</li> <li>• Installed VFDs for fan motors on cooling tower and domestic water pumps</li> <li>• Completed elevator modernisation in 2016 / 2017</li> <li>• Painted the garage ceiling white for reflective purpose, thereby requiring less lighting around the exterior of the parking floors</li> <li>• Installed LED on top floor of parking garage</li> </ul>



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## Greenhouse Gas Emissions

A decrease in energy consumption could reduce GHG emissions. Emissions are managed by striving for energy efficiency and, where appropriate, considering cleaner energy from renewable sources. To encourage low-carbon travel, eight electric vehicle charging stations were installed at Figueroa. In addition, bike racks were also installed to promote health & well-being.

## Water Efficiency

To reduce water usage at the properties, low-flow fixtures, meters for water subsystems and rain sensors for irrigation have been installed. At Michelson, an innovative water reuse system that uses reclaimed water from the City of Irvine for use in restrooms, irrigation systems and cooling tower was installed. In addition, the collection and reuse of grey water and native landscaping have been instigated to reduce water demand. At Peachtree, common area restrooms are all hands free and low-flush toilets were installed.

## Waste Management

Facilities are provided in the REIT's properties to encourage recycling. Figueroa participates in annual e-waste removal of tenants' computers and small electronics and recycles tenants' paper and cardboard products daily. Michelson holds an E-Waste Event annually in April, in honour of Earth Day, where tenants participate in a computer and electronics recycling programme. At Peachtree, the Property Manager works collaboratively with tenants to improve waste and

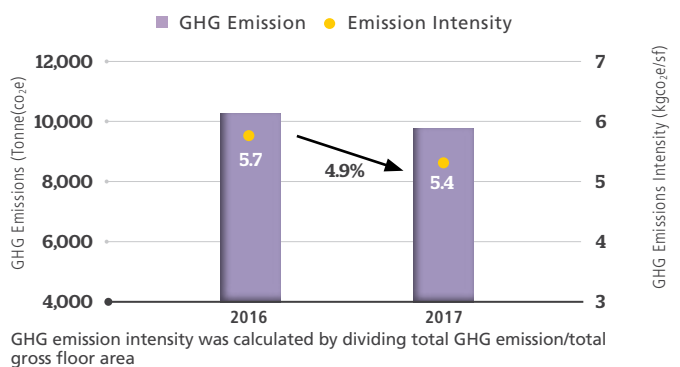
recycling methods and reduce their environmental impact. To increase awareness of available recycling programmes, tenants in Peachtree are provided regularly with educational information, including live seminars on best-in-class recycling practices. Quarterly performance results via waste diversion reports allow tenants to understand their performance and set targets for further improvements.

## Certifications and Energy Ratings

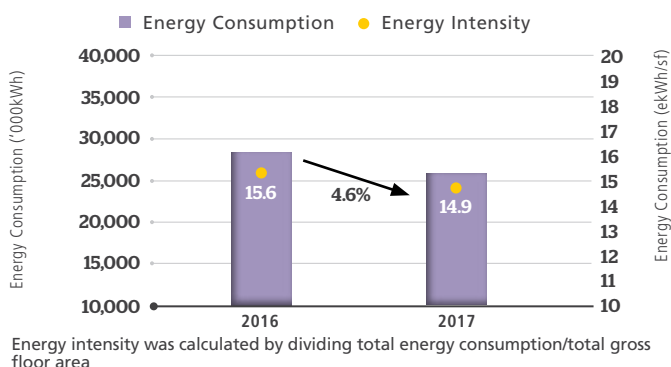
Green building certifications provide assurance to tenants and stakeholders that a building performs at a high-level of sustainability. In 2017, Figueroa, Michelson and Peachtree received ENERGY STAR certifications. For commercial real estate, ENERGY STAR is a market differentiator. Studies find that ENERGY STAR certified buildings command a premium of up to 16.0% for sale prices and rental rates. The average ENERGY STAR score for the above properties was 88 in 2016. This means that the majority of our properties perform better than 75.0% of similar buildings in the U.S. In addition, Michelson has a LEED™ Gold certification, demonstrating best-in-class sustainability performance across numerous sustainability aspects. LEED is the most widely used green building rating system in the world and provides a framework to create healthy, highly efficient and cost-saving green buildings. LEED certification is a globally recognised symbol of sustainability achievement

Property	Certification
Figueroa	ENERGY STAR
Michelson	ENERGY STAR LEED™ Gold
Peachtree	ENERGY STAR
Plaza	ENERGY STAR
Exchange	ENERGY STAR Target to achieve LEED™ Gold

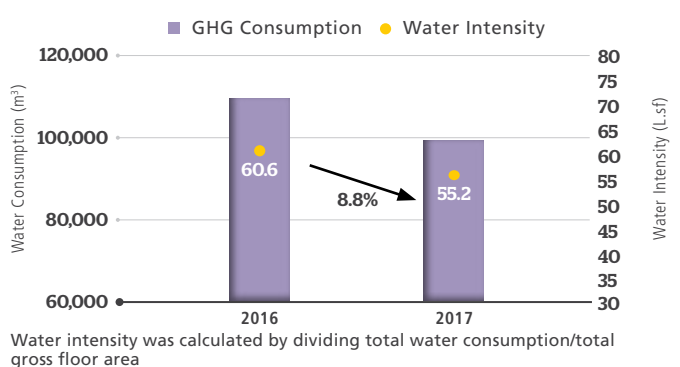
## 2016 - 2017 GHG Emissions and Intensity



## 2016 - 2017 Energy Consumption and Intensity



## 2016 - 2017 Water Consumption and Intensity



The bulk of the REIT's properties' energy consumption arose from purchased grid electricity in 2017. Electrical energy consumption amounted to 26,912 equivalent kilowatt hours (ekWh), representing a 4.6% year-on-year decrease from 28,219 ekWh in 2016. Overall building energy intensity also decreased to 14.9 ekWh/m<sup>2</sup> in 2017 from 15.6 equivalent kilowatt hour per m<sup>2</sup> (ekWh/m<sup>2</sup>) in 2016.







Consistent with the decrease in energy consumption and intensity, the REIT's indirect GHG emissions and intensity from electrical energy decreased in 2017 to approximately 9,780 metric tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) and 5.4 tCO<sub>2</sub>e /m<sup>2</sup>, respectively. Indirect GHG emissions and intensity from electrical energy was approximately 10,300 metric tCO<sub>2</sub>e and 5.7 tCO<sub>2</sub>e/m<sup>2</sup> in 2016.

Water consumption has decreased over the past year from 109,250m<sup>3</sup> in 2016 to 99,600m<sup>3</sup> in 2017 and water consumption intensity decreased 8.8%.

### Energy, Water and Waste Reduction Efforts – The Manager

The Manager extends its commitment to sustainability at its Singapore office through various initiatives. Employees are encouraged to switch off electronic devices when they are not in use. Lights and air conditioners are also turned off automatically at default times every night and over weekends to reduce energy consumption. Recycling facilities for cans, glass, plastic and coffee capsules have been introduced to employees in 2017. The Manager also promote environmental awareness by distributing eco-friendly corporate gifts such as cotton bags to investors.

### FY2017 Performance and Targets

Energy, Emissions and Water for FY2017 versus FY2016	Targets
 <b>Energy consumption and energy intensity</b> <ul style="list-style-type: none"> <li>• Energy consumption reduced by 4.6%</li> <li>• Energy intensity reduced by 4.6%</li> </ul>	 <ul style="list-style-type: none"> <li>• Maintain or reduce energy consumption and intensity</li> </ul>
 <b>GHG emission and GHG emission intensity</b> <ul style="list-style-type: none"> <li>• GHG emission reduced by 4.8%</li> <li>• GHG emission intensity reduced by 4.9%</li> </ul>	 <ul style="list-style-type: none"> <li>• Maintain or reduce GHG emission and intensity</li> </ul>
 <b>Water consumption and water intensity</b> <ul style="list-style-type: none"> <li>• Water consumption reduced by 8.8%</li> <li>• Water intensity reduced by 8.8%</li> </ul>	 <ul style="list-style-type: none"> <li>• Maintain or reduce water consumption and intensity</li> </ul>

### Engaging Communities

The Manager believes that community engagement plays an important role in sustainability and has initiated various activities for its stakeholders in 2017.

#### Tenant Community

The REIT maintains high occupancy at all of its properties through various tenant engagement activities. Maintaining close relationships and listening to tenants' views enable the Manager to provide high quality services and facilities in the properties.

Apart from enhancing equipment and facilities to reduce energy and water consumption, the Property Manager partners with tenants to promote environmental sustainability awareness. Initiatives include sharing building performance results with tenants, offering sustainability tips and holding events and

educational sessions. Greater collaboration on sustainability is an essential, mutually beneficial activity that supports tenants' business objectives and increases their satisfaction with the properties and services. In addition, tenant appreciation events are held to encourage interaction between the Property Manager and tenants. These events include food festivals such as "Ice cream social", "In-N-Out Burger", "Holiday Brunch" and golf tournaments.

Kingsley Associates has been engaged to conduct tenant satisfaction surveys in alternate years at all MUST's properties to better understand and serve its tenants. The survey gathered information on tenants' overall satisfaction, perception of property, satisfaction with management, leasing and maintenance, renewal intentions and likelihood of property recommendations. The overall satisfaction rate on the most recent survey which was completed in 2016 was 97.0%. The next survey will take place in 2018.

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## Investment Community

The investment community is mainly made up of institutional and retail investors, analysts and media. The main objective of the REIT is to provide Unitholders with regular distributions and achieve long-term growth in Distribution per Unit and Net Asset Value through prudent capital management.

### Key Engagement Initiatives

	Events	<ul style="list-style-type: none"> <li>• AGM 2016 / EGM 2017</li> <li>• Investor Day 2017</li> <li>• IPO 1<sup>st</sup> Anniversary</li> <li>• U.S. Site Visits</li> </ul>
	Meetings	<ul style="list-style-type: none"> <li>• Quarterly Results Briefings / Luncheons / Calls</li> <li>• Acquisition Briefings / Luncheons / Calls</li> <li>• Media Interviews</li> <li>• Local and Overseas Roadshows</li> </ul>
	Publications	<ul style="list-style-type: none"> <li>• Annual Report</li> <li>• SGX Announcements</li> <li>• Investor Presentations</li> <li>• Press Releases</li> <li>• Investor Pack</li> <li>• Factsheet</li> <li>• Newspaper Advertisements</li> </ul>
	Website	<ul style="list-style-type: none"> <li>• Dedicated customer service hotline for general enquiries</li> <li>• Dedicated email and contact number on website for investor relations inquiries</li> <li>• Property videos on website for investor education</li> </ul>

## Local Community

The Manager demonstrates good corporate citizenship by supporting charitable causes. It is a humbling and fulfilling experience for the team when it comes together outside the work environment to give back to the society. In addition, it creates a valuable form of team bonding. Individual employees are encouraged to utilise up to two days of volunteering leave per year for their community involvement. The Manager is particularly proud to align its CSR programmes with Manulife's research series on Aging Asia by supporting the needs of the elderly in Singapore.

In 2017, the Manager partnered with the Young Women's Christian Association (YWCA) of Singapore in order to sponsor and accompany a group of elderly for a "Duck and Hippo" tour. 14 elderly members participated and paired up with our employees to take a water cruise along iconic and historic landmarks in Singapore. The tour was organised with the intention to uplift the emotional and social well-being of these elderly members.

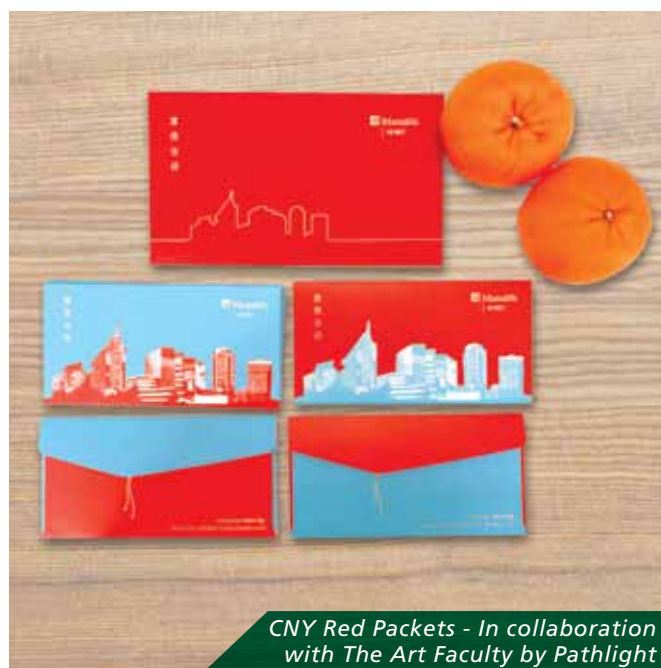


Employees also brought joy to patients at St Luke's Hospital where they worked together to make colourful and unique fridge magnets moulded out of clay. This activity was targeted at patients of over 40 years. Participants benefitted from the interaction, creativity of the activity, and exercising of motor skills, cognitive abilities and concentration.







In addition, the Manager collaborated with The Art Faculty by Pathlight to commission an artwork of the REIT's properties to be featured on its Chinese New Year (CNY) red packets. The Art Faculty by Pathlight is a platform that promotes and showcases the special talents of people with autism and related challenges.

The Manager also contributed to global poverty alleviation programmes. Employees participated in Soles4Souls shoe drive hosted by Million Lighting Pte Ltd and donated 66 pairs of new or lightly worn footwear to the organisation. The donated footwear was distributed to those in need in developing nations by providing relief in times of a disaster.

In FY2017, the Manager donated a total of S\$13,900 in terms of cash plus gifts to voluntary welfare organisations in Singapore.



## FY2017 Performance and Targets

Engaging Communities	Targets
 <b>Tenant Community</b> <ul style="list-style-type: none"> <li>76.0% tenants completed the Tenant Satisfaction surveys</li> <li>Overall score of 97.0%</li> </ul>	 <ul style="list-style-type: none"> <li>Maintain or improve tenants' participation</li> <li>Maintain or improve survey scores</li> </ul>
 <b>Investment Community</b> <ul style="list-style-type: none"> <li>Met with more than 1,000 investors</li> </ul>	 <ul style="list-style-type: none"> <li>Maintain or increase number of engagement activities</li> </ul>
 <b>Local Community</b> <ul style="list-style-type: none"> <li>S\$13,900 raised in 2017 (S\$10,700 raised in 2016)</li> <li>98 volunteer hours in 2017 (52 volunteer hours in 2016)</li> </ul>	 <ul style="list-style-type: none"> <li>Increase amount raised</li> <li>Increase volunteer hours</li> </ul>

## Talent Retention

The Manager is aligned to Manulife Group's vision to be an employer of choice and believes that happy employees are likely to have higher levels of productivity. Retaining talent is essential in the maintenance of skills and intellectual capital, productivity levels and containing costs. The Manager strives to develop talent and ensure that all employees are exposed to career growth opportunities.

## Employee Well-being

The Manager focuses on initiatives to promote work-life balance by investing in employee well-being as it is an important aspect of retaining valuable talent. A range of exercise activities and health screening programmes are offered to employees. Other initiatives included a weekly fruit day and a salad

vending machine was made available to employees in the office building. Employees and their family members are also entitled to discounts on Manulife's insurance policies.

Effective team building encourages communication, team work and trust among employees. The Manager organises regular lunches and dinners not only to celebrate successes and festivals but also to facilitate communication within the team. The Manager also participated in "Eat With Your Family Day 2017", an event held in May, to encourage employees to head home early to spend quality time and bond with their families. Employee engagement surveys are carried out every other year, and pulse surveys are conducted in the intervening periods to evaluate the Manager's performance in this aspect.





# SUSTAINABILITY REPORT

## Remuneration Policy

The Manager's compensation programme is intended to be well-balanced, competitive, performance based and aligned with the achievement of each employee's short, medium and long-term goals. While the approach reflects a pay-for performance culture, it is also designed to attract, motivate and retain high-performing and high-potential employees in their respective field of expertise. Employees are also

incentivised through annual bonus awards that are tied to a variety of financial and non-financial measures and key staff are eligible for a Long-Term Incentive Scheme. All aspects of compensation are reviewed against independent market surveys on a regular basis so that the REIT maintains its attractiveness as a choice employer and attracts the best talent.

## FY2017 Performance and Targets

Talent Retention	Targets
 <ul style="list-style-type: none"> <li>Out of the 12 full-time employees, one resigned</li> </ul>	 <ul style="list-style-type: none"> <li>Maintain or increase the number of full-time employees</li> </ul>
 <ul style="list-style-type: none"> <li>100% of employees completed the Employee Engagement Survey</li> </ul>	 <ul style="list-style-type: none"> <li>Maintain employees' participation</li> </ul>

## Training, Education and Leadership



The Manager is aligned to the Training and Development Policy within Manulife Group that is made available in the employee handbook. Employees are required to attend mandatory and voluntary training programmes to cultivate technical skills, leadership, strategic planning, creative thinking and problem solving skills. In 2017, employees also attended additional courses provided by third party vendors, organisations and institutions, such as Bloomberg, Yardi (accounting), Institute of Singapore Chartered Accountants, Singapore Association of the Institute of Chartered Secretaries and Administrators and the Singapore Red Cross Academy.

The Manager supports the youth and contributes to the talent pool by providing undergraduates and fresh graduates with internship opportunities. Through such programmes, interns gained invaluable skill sets and experiences that they can apply in their future careers. Key executives also conducted a 'live' investor meeting where they shared MUST's financial results and strategy, to a group of final year real estate students from National University of Singapore (NUS). In addition, the CEO shared with the postgraduates from NUS on the challenges and opportunities in the financial market place.

In FY2017, the key executives gathered regularly to discuss and brainstorm strategies for the REIT. During these sessions,



pertinent issues such as challenges in the market, performance of the portfolio and human capital were discussed.

"Work Life Coaching" is provided to all employees who participate in a semi-annual performance and career review where they are given feedback and opportunities to build on their past performance. These sessions aim to identify employees' skill gaps and provide additional training when required. The Manager believes in two-way communication with its staff and encourages employees to offer feedback on their career goals and all other aspects of their work during these sessions. At any time, staff including their immediate family members with personal issues are able to receive professional advice from external consultants through phones, emails or face-to-face sessions.

In addition, employees are required to complete several mandatory training programmes to ensure good compliance and governance. These include the Code of Business Conduct and Ethics Training and Certification, Investment Division Annual Associate Compliance Anti-Money Laundering and Anti-Terrorist Financing Training, New Information Classification Standard and New Information Protection Training.

In FY2017, the average training hours per employee was 31.2 hours, almost double the training hours per employee a year ago.

## FY2017 Performance and Target

Training Hours	Target
 <ul style="list-style-type: none"> <li>Average training hours per employee was 31.2 hours</li> </ul>	 <ul style="list-style-type: none"> <li>Maintain or improve average training hours per employee</li> </ul>

## Diversity and Equal Opportunity

Diversity ensures a healthy mix of opinions, ideas, knowledge and skills in the workplace. The Manulife Group and the Manager encourage a diversified workplace. The Sponsor has implemented a number of initiatives to demonstrate its commitment in providing a diversified workplace and equal opportunities to all employees. This in turn motivates and increases the employees' productivity and loyalty.

In 2017, the Global Women's Alliance (GWA) at Manulife launched "Humans of Manulife" to showcase the diverse background of employees within the organisation. GWA also organised events throughout the year to educate, inspire and support fellow colleagues. Stories and journeys of individuals are showcased monthly to encourage and motivate employees to excel in their current role.

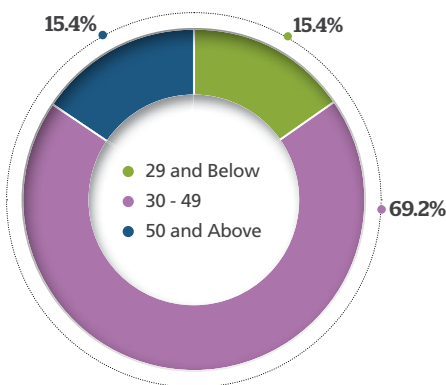
The Manager aligns with the Manulife Group's Diversity and Equal Opportunities Policies and the Manager reports its diversity statistics to its Board on a regular basis.

These policies are stated in the employee handbook. The Manager's employees are assessed and their remuneration packages are based on their performance.

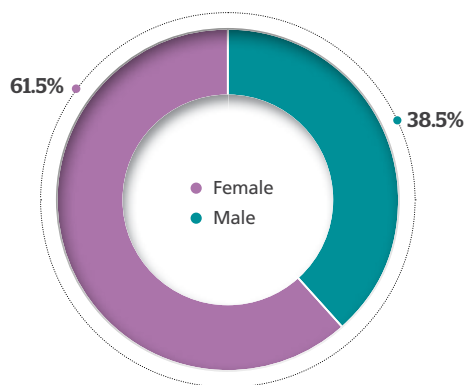
The Manager does not tolerate any form of discrimination in the workplace. Furthermore, equal employment opportunities are offered to individuals across different ages, genders and ethnic groups.

As at 31 December 2017, the Manager had 13 full-time and contract employees with tertiary qualifications and above. The team embraced several generational bands, with ages in all five decades from 20 to 60 years old. There is a healthy gender balance of employees from three ethnicities (Chinese, Asian and Caucasian) with 61.5% females and 38.5% males. The team is made up of 46.2% executives and 53.8% non-executives.

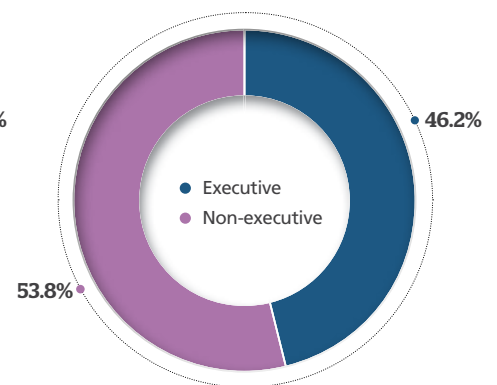
**Employee Diversity by Age**







**Employee Diversity by Gender**



**Employee Diversity by Type**



### FY2017 Performance and Target

Diversity	Target
 Age <ul style="list-style-type: none"> <li>• 29 and below: 15.4%</li> <li>• 30 to 49: 69.2%</li> <li>• 50 and above: 15.4%</li> </ul>	 <ul style="list-style-type: none"> <li>• Continue to hire employees with diversified age, gender and type</li> </ul>
 Gender <ul style="list-style-type: none"> <li>• Female: 61.5%</li> <li>• Male: 38.5%</li> </ul>	
 Type <ul style="list-style-type: none"> <li>• Executive: 46.2%</li> <li>• Non-executive: 53.8%</li> </ul>	

# SUSTAINABILITY REPORT

## Regulatory Compliance



Singapore REITs are highly regulated and the Board of Directors and Management act in the best interests of the Unitholders while simultaneously ensuring compliance with local laws and regulations. The Sponsor is a SEC registered company and the Manager aligns its governance to these high standards. The Manager's compliance team works closely with the Sponsor's legal and compliance teams and external legal counsel in Singapore and U.S. to ensure that the REIT and the Manager operate within its regulatory ambit. Breaches in regulations are likely to lead to costly fines as well as creating reputational risk.

The Manager safeguards Unitholders' interest by complying with relevant rules and regulations. As at 31 December 2017, six out of 12 full-time employees are appointed representatives

under the Securities and Futures Act (SFA) of Singapore. They are responsible for functions ranging from management, investment, finance to investor relations. All marketing materials are reviewed by the compliance team to ensure adherence to relevant rules and regulations and that information presented therein are not misleading to potential investors and stakeholders. As a landlord, the Manager is required to ensure that tenants are who they claim to be and that they are not conducting illicit activities or are captured on any global or regulatory watch-lists. On the health and safety front, the Manager is actively working with the Property Manager to ensure that its properties are safe for tenants, visitors and other users.

Regulation comes in many forms and there are a number of policies and practices in place to help the REIT and Manager comply:

Corporate Policies and Processes	Objectives	Availability
Insider Trading Policy	The policy provides guidance for the directors, officers and employees in the context of dealing in the Units of MUST.	Internal Policy
Global Privacy Risk Management Policy	The policy describes the framework within which MUST manages privacy risk when handling personal information.	Internal Policy
Information Risk Management Policy	The policy aids in identifying, assessing, rectifying, reporting and managing significant information risks in support of and in alignment with operational risk management.	Internal Policy
Independent Nominating and Remuneration Committee	To ensure long-term effectiveness of the Manager and its Board by making recommendations on the composition of the Board.	Internal Process
Conflict of Interest and Interested Person Transaction process	Compliance with Capital Markets Services Licence (CMSL) requirements for Real Estate Investment Trust Management under the Securities and Futures Act (SFA) of Singapore.	Internal Process
Disclosure of interests		
Fit and Proper declaration		
Global Business Continuity Policy	These policies outline the process in the event of any disaster.	Internal Policy
Global Disaster Recovery Policy		
Enterprise Risk Policy	The policy provides a structured approach to implementing risk taking and risk management activities at an enterprise level.	Internal Policy
Whistleblowing Mechanism	The mechanism is to encourage stakeholders and any other persons to raise concerns about possible improprieties in matters of financial reporting and other malpractices (including fraud, corruption, bribery or blackmail, criminal offences, failure to comply with a legal or regulatory obligation, miscarriage of justice, endangering the health and safety of an individual and concealment of any of the aforementioned) in confidence.	Available on MUST website ( <a href="http://www.manulifeusreit.sg/whistleblowing-policy.html">http://www.manulifeusreit.sg/whistleblowing-policy.html</a> )

Corporate Policies and Processes	Objectives	Availability
Anti-Fraud Policy	The policy describes a framework within which MUST strives to: (1) prevent, identify, and detect fraud; and (2) ensure that adequate controls are in place to accomplish those objectives.	Internal Policy
Anti-Money Laundering and Anti-Terrorist Financing Policy	The policy outlines the responsibilities, accountabilities and processes to ensure that MUST effectively mitigates the risks associated with money laundering and terrorist financing activities.	Internal Policy
Code of Business Conduct and Ethics	The code affirms MUST's commitment to ethical conduct and its practice of complying with all applicable laws and avoiding potential or actual conflicts of interest.	Internal Policy
Personal Data Protection Act (PDPA)	To ensure MUST's compliance with the PDPA	The PDPA is available on <a href="https://www.pdpc.gov.sg/legislation-and-guidelines">https://www.pdpc.gov.sg/legislation-and-guidelines</a>
Social Media Policy	To minimise reputational, business, compliance and legal risks associated with social media usage, employees are required to adhere to the social media policy.	Internal Policy
Timely disclosure of information	To minimise reputational and business risk and compliance with marketing and exchange regulations.	Internal Process
Review accuracy of information on corporate website		
Review accuracy of all marketing collaterals before publication		
Health & Safety Policy	The policy serves to ensure safety of all users of our properties and to ensure compliance with the WSHA.	Internal Policy
Workplace Safety and Health Act (WSHA)		Internal Process  The WSHA is available on <a href="https://sso.agc.gov.sg/Act/WSHA2006">https://sso.agc.gov.sg/Act/WSHA2006</a>

Mandatory and voluntary trainings are provided to employees to ensure that they comprehend what is expected of them and their reporting obligations. Orientation and induction programmes are conducted for new hires. Emails are sent regularly to Board of Directors and employees to remind them of their reporting obligations and on any related or applicable regulatory updates.

For tenants, health and safety issues can be raised during tenant engagement meetings held by the Property Manager. In addition, educational sessions for tenants and building users, grievance mechanisms (i.e. feedback channels) and anonymous whistleblowing channels are available.

To ensure compliance with relevant rules and regulations, the compliance team is actively involved in all business activities. Periodic submission of data to respective regulators and application and review of licences are also tracked. In addition, the internal audit team reviews processes and procedures to ensure compliance and the Manager follows an established and comprehensive ERM framework where regular reports are submitted to the Board. Please see the Corporate Governance report on page 70 and the ERM framework for more information.

## FY2017 Performance and Target

Number of Fines or Sanctions for Non-compliance	Target
 <ul style="list-style-type: none"> <li>No incident of non-compliance with laws and regulations resulting in fines or sanctions in the year ended 31 December 2017</li> </ul>	 <ul style="list-style-type: none"> <li>Zero incidents of non-compliance with relevant laws and regulations in the next year</li> </ul>



# SUSTAINABILITY REPORT

## GRI Content Index

GRI Standards (2016)		Notes/Page number(s)
<b>General Disclosures</b>		
<b>Organisational Profile</b>		
102-1	Name of the organisation	Manulife US REIT
102-2	Activities, brands, products, and services	About Manulife US REIT, p.1 Operational Review, p.27
102-3	Location of headquarter	Singapore
102-4	Location of operations	Portfolio Summary, p.30
102-5	Ownership and legal form	Tax and Trust Structure, p.13
102-6	Markets served	Portfolio Summary, p.30
102-7	Scale of the organisation	Financial Highlights, p.8 Financial Review, p.22 Portfolio Summary, p.30
102-8	Information on employees and other workers	Talent Retention, p.61 Manulife US REIT did not have any significant variation in employment numbers
102-9	Supply chain	Engaging Communities, p.59
102-10	Significant changes to organisation and its supply chain	Manulife US REIT did not have any significant variation in employment numbers
102-11	Precautionary principle or approach	Manulife US REIT does not specifically address the principles of the Precautionary approach.
102-12	External initiatives	Manulife US REIT supports the UN SDGs and takes part in GRESB
102-13	Membership of associations	REITAS The Property Manager, JHUSA Sustainable Real Estate Policy, p.53
<b>Strategy</b>		
102-14	Statement from senior decision-maker	Board Statement, p.51 Sustainability Approach, p.52
<b>Ethics and Integrity</b>		
102-16	Values, principles, standards, and norms of behaviour	Board Statement, p.51 Sustainability Approach, p.52
<b>Governance</b>		
102-18	Governance structure	Sustainability Governance, p.53
<b>Stakeholder Engagement</b>		
102-40	List of stakeholder groups	Stakeholder Engagement, p.54
102-41	Collective bargaining agreements	Manulife US REIT does not have any collective bargaining agreements in place
102-42	Identifying and selecting stakeholders	Stakeholder Engagement, p.54
102-43	Approach to stakeholder engagement	Materiality Assessment, p.54 Stakeholder Engagement, p.54
102-44	Key topics and concerns raised	Materiality Assessment, p.54 Stakeholder Engagement, p.54

GRI Standards (2016)		Notes/Page number(s)
<b>Reporting Practice</b>		
102-45	Entities included in the consolidated financial statements	Financial Highlights, p.8 Financial Review, p.22
102-46	Defining report content and topic boundaries	Materiality Assessment, p.54
102-47	List of material topics	Materiality Assessment, p.54
102-48	Restatements of information	No restatements, as this is Manulife US REIT's inaugural report
102-49	Changes in reporting	No changes in reporting, as this is Manulife US REIT's inaugural report
102-50	Reporting period	1 January 2017 – 31 December 2017
102-51	Date of most recent report	This is Manulife US REIT's inaugural report
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	About this report, p.51
102-54	Claims of reporting in accordance with GRI Standards	About this report, p.51
102-55	GRI content index	GRI Index, 66
102-56	External assurance	Manulife US REIT has not sought external assurance for this reporting period and may consider it for future periods.
<b>Management Approach</b>		
103-1	Explanation of the material topic and its boundary	Materiality Assessment, p.54 Sustainability Governance, p.53 Please refer to section on each material factor
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
<b>Material Topics</b>		
<b>Economic Performance</b>		
201-1	Direct economic value generated and distributed	Financial Highlights, p.8 Letter to Unitholders, p.10
<b>Anti-corruption</b>		
205-3	Confirmed incidents of corruption and actions taken	Regulatory Compliance, p.64
<b>Environmental Compliance</b>		
307-1	Non-compliance with environmental laws and regulations	Regulatory Compliance, p.64
<b>Employment</b>		
401-1	New employee hires and employee turnover	Talent Retention, p.61
<b>Training and Education</b>		
404-1	Average hours of training per year per employee	Talent Retention, p.61
<b>Customer Health and Safety</b>		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Regulatory Compliance, p.64
<b>Socioeconomic Compliance</b>		
419-1	Non-compliance with laws and regulations in the social and economic area	Regulatory Compliance, p.64