

(Constituted in the Republic of Singapore pursuant to a trust deed dated 29 October 2001 (as amended))



## CapitaLand Integrated Commercial Trust Green Finance Framework

February 2022

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# 1. Introduction

## 1.1 About CapitaLand Integrated Commercial Trust

CapitaLand Integrated Commercial Trust (“CICT”) is the first and largest real estate investment trust (REIT) listed on Singapore Exchange Securities Trading Limited (“SGX-ST”) with a market capitalisation of S\$13.5 billion as of 31 December 2021. It made its debut on SGX-ST as CapitaLand Mall Trust (“CMT”) in July 2002 and was renamed CICT in November 2020 following the merger with CapitaLand Commercial Trust (“CCT”).

CICT owns and invests in quality income-producing assets primarily used for commercial (including retail and/or office) purposes, located predominantly in Singapore. As the largest proxy for Singapore commercial real estate, CICT’s portfolio comprises 21<sup>1</sup> properties in Singapore and two in Frankfurt, Germany.

CICT is in the FTSE Straits Times Index, FTSE4Good Index Series, MSCI Global Standard Indices, GPR General Indices and GPR 250 indices as well as other indices. CICT is rated “A3” issuer rating by Moody’s Investors Service and “A-” by S&P Global Ratings.

CICT is managed by CapitaLand Integrated Commercial Trust Management Limited (the “Manager”), which is a wholly owned subsidiary of Singapore-listed CapitaLand Investment (“CLI”), a leading global real estate investment manager (“REIM”) with a strong Asia foothold.

## 1.2 CICT places Sustainability at the core of what it does

As a responsible REIT, CICT contributes to the environmental and social well-being of the communities where it operates, as it delivers long-term returns to its stakeholders. The Board of the Manager of CICT sets the Trust’s risk appetite, which determines the nature and extent of material risks that the Manager of CICT is willing to take to achieve its strategic and business objectives. The risk appetite incorporates environmental, social and governance (“ESG”) factors such as fraud, corruption and bribery, environment, health and safety. The Board also approves the executive compensation framework based on the principle of linking pay to performance (both quantitative and qualitative performance targets, including sustainable corporate practices).

As a CLI-sponsored REIT, CICT is managed externally by wholly owned subsidiaries of CLI, which include the Manager (CICTML) and Property Managers who oversee daily property operations. The Manager and Property Managers are responsible for the Trust, property and portfolio operations of CICT, and their respective teams are identified as employees of the Trust. The Manager and the Property Managers abide by CLI’s sustainability framework, policies and guidelines as well as ethics and code of business conduct.

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<sup>1</sup> Includes the divestment of a property, JCube, in January 2022

CICT is aligned with CapitaLand Group’s 2030 Sustainability Master Plan unveiled in 2020 to elevate the Group’s commitment to global sustainability in the built environment. The Master Plan focuses on the following three key pillars to drive CapitaLand’s sustainability efforts in the environment, social and governance (“ESG”) pillars, enabling the Group to create a larger positive impact for the environment and society.

- Building portfolio resilience and resource efficiency
- Enabling thriving and future-adaptive communities
- Accelerating sustainability innovation and collaboration

CICT is committed to environmental sustainability and value creation as a real estate owner and leverages on technologies and analytics to optimise the usage of energy, water as well as waste management across our properties. CICT constantly monitors environmental performance indicators such as energy intensity, carbon emission intensity and water intensity with an aim to further reduce its environmental impacts. **CapitaLand’s Environmental Management System (EMS)** is a key tool in managing CICT’s environmental footprint across our portfolio. This EMS, together with CapitaLand’s Occupational, Health and Safety Management System (“OHSMS”) are integrated as CapitaLand’s Environmental, Health and Safety Management System (“EHSMS”) that complies with ISO 14001 and OHSAS 18001 standards for the environmental management of business and occupational health and safety management of businesses respectively.

At CICT, the usage of environmental resources is closely monitored as part of our eco-efficiency objectives and long-term sustainability. Energy and water consumption, waste generation and carbon emissions at our properties are monitored via CapitaLand’s Environmental Tracking System (“ETS”).

CICT is aligned with CapitaLand’s science-based targets which forms part of the CapitaLand’s 2030 Sustainability Master Plan that outlines the targets and pathways for our transition to a low-carbon business.

*Using 2008 as base year:*

|                           | 2030<br>New Targets |
|---------------------------|---------------------|
| Carbon emission intensity | ▼ 78%               |
| Energy intensity          | ▼ 35%               |
| Water intensity           | ▼ 45%               |

Green building ratings help affirm the quality of CICT’s properties. They serve as an external validation that key environmental aspects have been considered in CICT’s project design, development and operations. With targets set from the early stage of design and development, green buildings, with a lower lifecycle carbon footprint through the adoption of sustainable design and materials, are more resource efficient. The minimum target certification for our new developments in Singapore is BCA Green Mark Gold<sup>PLUS</sup>. CICT is committed to actively renew and maintain our green certifications and achieve minimum BCA Green Mark certification for properties where possible in support of the Singapore government’s Green Building Master Plan. The Trust has also set a target to green all its existing properties outside Singapore by 2030 with each achieving minimum certification level by a green rating system administered by a national government ministry/agency or a Green Building Council recognised by World Green Building Council (WGBC).

### **1.3 CICT’s sustainability efforts are recognized**

CICT is listed in the FTSE4Good Developed Index, FTSE4Good ASEAN 5 Index, iEdge ESG Leaders Index, iEdge ESG Transparency Index, STOXX@Global ESG Leasers and Global ESG Governance Leaders. CICT has achieved the highest 5-star rating in the Global Real Estate Sustainability Benchmark (GRESB) 2021 and have also scored “A” for public disclosure in the same assessment.

## **2. Green Finance Framework**

CICT has prepared the Green Finance Framework (the “Framework”) to demonstrate how CICT intends to enter into Green Finance Transactions (“GFTs”) to fund projects, which will deliver environmental benefits that support the REIT’s objectives.

Fundraising will include bonds, loans and other forms of debt financing with structures tailored to contribute to sustainable development by application of the proceeds to Eligible Projects as defined in this Framework.






This Framework outlines the criteria and guidelines for CICT and its subsidiaries to allocate and manage the proceeds raised from the GFTs. With respect to bonds, bonds issued under the Framework will be aligned with the Green Bond Principles (2021), or as they may be subsequently amended. With respect to loans, loans drawn under the Framework will be aligned with the Green Loan Principles (2021) or as it may be subsequently amended. Other forms of debt financing may conform to other sustainable or green finance principles as may have been established at the time of such financing transaction being undertaken.




As set out in this Framework, each GFT will adopt the following four core components:



1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

### **2.1 Use of Proceeds**

100% of the net proceeds raised from each GFT will be applied exclusively to finance or re-finance, in whole or in part, new or existing eligible green projects that meet one or more of the following categories of eligibility as recognized in the Green Bond Principles and Green Loan Principles (“Eligible Green Projects”) with the objective of addressing identified areas of environmental concern. These identified environmental objectives are fully in line with CICT’s sustainability objectives and strategies.

| Environmental Objective  | Eligible Project Category | Eligible Criteria  | Sample Projects   | Contributing UN SDGs  |
|--|---------------------------|--|---|---|
| <b>Climate Change Mitigation</b><br><br><b>Natural Resource Conservation</b> | <b>Green Buildings</b>    | <p>New development and existing buildings that will receive any one of the following certification systems:</p> <ul style="list-style-type: none"> <li>• Singapore Building and Construction Authority (BCA) Green Mark: Minimum certification of Gold<sup>PLUS</sup> or above;</li> <li>• LEED® (Leadership in Energy and Environmental Design): Minimum certification of Gold or above</li> <li>• Any other Green Building label, that is an equivalent standard as above</li> </ul> | <ul style="list-style-type: none"> <li>• Asia Square Tower 2</li> <li>• CapitaGreen</li> <li>• Funan</li> <li>• Westgate</li> <li>• Raffles City Singapore</li> </ul> | <br><br> |
| <b>Climate Change Mitigation</b>   | <b>Renewable Energy</b>   | <p>Projects relating to the installation of equipment or associated infrastructure to generate renewable energy</p>  | <ul style="list-style-type: none"> <li>• Solar panels installation at Bedok Mall, Bugis Junction, JCube and Asia Square Tower 2</li> </ul>                            | <br>  |

| Environmental Objective                 | Eligible Project Category | Eligible Criteria   | Sample Projects  | Contributing UN SDGs   |
|---|---------------------------|---|--|--|
| <b>Climate Change Mitigation</b>        | <b>Energy Efficiency</b>  | Projects relating to the adoption of smart technologies and/or systems for optimizing energy management in new and existing buildings (e.g. lighting and motion sensors) or retrofitting projects (e.g. replacing air-conditioning chiller or lift systems) | <ul style="list-style-type: none"> <li>Investment in raising performance of building fittings and equipment such as air-condition chillers, lift systems, light fittings, glass curtain walls, ventilation and greening technologies that reduces interior heat and contribute to higher energy efficiency</li> </ul>  | <br> |
| <b>Pollution Prevention and Control</b> | <b>Waste Management</b>   | Facilities, systems and equipment that are used for the collection, treatment, and recycling of waste (excluding landfilling)   | <ul style="list-style-type: none"> <li>Management of waste for tenants and occupants e.g., consolidating waste data for operating properties; collection and disposal of recyclable waste by licensed contractors; placing recycling bins in operational properties; partnership with external vendor for the collection and management of electronic waste</li> </ul> |   |

| Environmental Objective   | Eligible Project Category           | Eligible Criteria   | Sample Projects  | Contributing UN SDGs  |
|---|-------------------------------------|---|--|---|
| <b>Natural Resource Conservation</b>  | <b>Sustainable Water Management</b> | Water saving features to reduce domestic and commercial water consumption | <ul style="list-style-type: none"> <li>• Installation of efficient water use equipment, such as automatic tap water sensors, to reduce the use of water</li> <li>• Water recycling system such as rainwater harvesting</li> </ul>                                |  |
| <b>Climate Change Mitigation</b><br><br><b>Pollution Prevention and Control</b> | <b>Clean Transportation</b>         | Projects that promote environmentally friendly transportation modes       | <ul style="list-style-type: none"> <li>• Electric vehicle charging infrastructure</li> <li>• Encouraging cycling among tenants, employees and customers by providing end-of-trip facilities (such as bicycle parking, showers, lockers and restrooms)</li> </ul> |  |

## 2.2 Process for Project Evaluation and Selection

Project evaluation and selection is a key process in ensuring that the Eligible Green Projects financed by the GFTs meet the criteria in CICT’s Framework.

CICT’s Finance team will review and select Eligible Green Projects according to the criteria outlined in Section 2.1. They may consult relevant subject matter experts from the Property Managers<sup>2</sup> in the selection process. The Eligible Green Project list will be jointly reviewed and approved by Chief Executive Officer and Chief Financial Officer of the Manager on an annual basis to ensure that the selected Eligible Green Projects are in line with the Framework.

Risk management principles are embedded in all our decision-making and business processes. Management of social and environmental risks involves identifying and managing significant social and environmental aspects associated with the relevant Green Projects during the process of project evaluation including that can potentially have a negative social and environmental impact.

<sup>2</sup> The Property Managers perform the day-to-day property management functions (including leasing, marketing, promotion, operations coordination and other property management activities) for CICT’s properties

In addition, and more specifically, an Environmental Impact Assessment (EIA) is carried out during the feasibility stage of a development project. The significant findings of the EIA and their cost implications, if any, are incorporated in the investment paper submitted to the Board of Directors for approval. The EIA focuses on identifying any environmental threats or opportunities related to the project site and its surroundings, covering areas such as floods, biodiversity, air quality, noise, connectivity, heritage and resources including an analysis of mitigation measures for the associated risks.

## 2.3 Management of Proceeds

The amount equal to the net proceeds from the GFTs, will be allocated exclusively to the Eligible Green Projects within 2 years from the date the relevant Green Financing is raised. As long as there are outstanding GFTs, the CICT Finance Team will manage the Eligible Green Project list, and monitor the balance of the tracked proceeds from time to time and review at least annually.

In the case of divestment or if a project no longer meets the Eligible Green Project eligibility criteria listed above, CICT intends to reallocate the funds to one or more other Eligible Green Projects.

For any unallocated amount, it may be invested in cash or cash equivalent instruments, following CICT's treasury policy, that do not include any ESG controversial activity<sup>3</sup>, until CICT identifies new Eligible Green Projects that meet the criteria in Section 2.1. Any addition to the Green Project list will follow the above-described process in Section 2.2.

## 2.4 Reporting

CICT is committed to transparent reporting of its sustainability efforts; it has been issuing an annual sustainability report since 2013, and relevant environmental data can be found at the annual reports published here – <https://www.cict.com.sg>

For the Green Loans, upon request, CICT shall provide the information below to Green Loan Lenders (provided that CICT is deemed to have provided the information if such information is available in the annual report or their website):

- Allocation of the Green Loans
- Example of the financed Eligible Green Projects, including their description, location and green building certificates
- Unallocated amount, if any
- Qualitative and (if reasonably practicable) quantitative environmental performance indicators of the Eligible Green Projects funded by the Green Loans

For Green Bonds, CICT will disclose the information such as net proceeds of its GFTs in its Sustainability Report or on its website (<https://www.cict.com.sg/sustainability.html>). Such information will be provided on an annual basis until all the net proceeds have been allocated.

The reports will include the information below:

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<sup>3</sup> ESG controversial activities: Alcohol, Animal maltreatment, Armament, Hazardous chemicals, Gambling, Fossil fuels, Nuclear energy, Pornography, Tobacco



a) Summary

A list of all GFT(s) executed in the reporting period and outstanding at the reporting date and summary terms of each transaction. Key information to be provided will include issuer/borrower entity, transaction date, principal amount of proceeds, maturity date and interest or coupon.

b) Allocation Reporting

- The list of Eligible Green Project(s) to which proceeds of the GFT have been allocated (or reallocated).
- A brief description of the Eligible Green Project(s) and the amounts allocated.
- Where confidentiality agreements, competitive considerations or a large number of underlying assets limit the amount of detail that can be made available about the selected Eligible Green Project(s), information shall be presented on an aggregated portfolio basis i.e., on the Eligible Project Categories which the selected Eligible Green Project(s) fall into.

c) Impact Reporting

Where relevant and feasible, CICT will provide relevant environmental impact metrics for the Eligible Green Projects financed by the GFTs to the investors and lenders. Examples of metrics include but not limited to:

| Eligibility Criteria         | Example Impact Metric  |
|------------------------------|--|
| Green Buildings              | <ul style="list-style-type: none"> <li>• Type of scheme, certification level and m<sup>2</sup> Gross Building Area</li> <li>• Proportion of Green Buildings in CICT portfolio (per certification system)</li> </ul>  |
| Renewable Energy             | <ul style="list-style-type: none"> <li>• kWh of power generated from renewable energy</li> <li>• Capacity of renewable energy plant(s) constructed or rehabilitated in MW</li> <li>• Tonnes of carbon dioxide (CO<sub>2</sub>) equivalent avoided</li> </ul> |
| Energy Efficiency            | <ul style="list-style-type: none"> <li>• Energy saved per year (kWh/year)</li> <li>• Energy intensity reduction (kWh/sqm)</li> </ul>   |
| Waste Management             | <ul style="list-style-type: none"> <li>• Waste removed (tonnes)</li> <li>• Waste that is prevented, minimised, reused or recycled before and after the project in percentage of total waste and/or in absolute amount (tonnes/annum)</li> </ul>              |
| Sustainable Water Management | <ul style="list-style-type: none"> <li>• Water saved per year (m<sup>3</sup>)</li> <li>• Water intensity (m<sup>3</sup>/sqm)</li> </ul>  |
| Clean Transportation         | <ul style="list-style-type: none"> <li>• Number of EV charging lots installed</li> <li>• Number of bicycle parking lots</li> </ul>   |

### **3. External Review**

CICT will ensure that the appropriate knowledge and expertise is developed within the organisation and it reviews this Green Finance Framework on a regular basis to ensure the alignment of this Framework with the key features of the Green Bond Principles and Green Loan Principles.

CICT will engage an independent external reviewer to provide a Second-Party Opinion (SPO) on the Framework prior to its first GFT. The opinion of the independent external reviewer will be shared on the REIT's website at <https://www.cict.com.sg/sustainability.html>.