



ASCOTT

RESIDENCE
TRUST

A Member of
CapitalLand Investment



Ascott Residence Trust Sustainability-Linked Finance Framework

February 2022

Ascott Residence Trust Sustainability-Linked Finance Framework

1. Introduction	1
1.1. About Ascott Residence Trust	1
1.2. Trust Structure	1
1.3. Our Vision	2
1.4. Our Mission	2
1.5. Sustainability Management	2
1.5.1 Sustainability Commitment	2
1.5.2 Strategic Sustainability Management Structure.....	6
2. Rationale and Scope of ART’s Sustainability-Linked Finance Framework	7
3. Sustainability-Linked Bonds	8
3.1. Selection of KPIs	8
3.2. Calibration of SPTs	10
3.3. Bond Characteristics	12
3.4. Reporting	12
3.5. Verification	12
4. Sustainability-Linked Loans	13
4.1. Selection of Key Performance Indicators (KPIs)	13
4.2. Calibration of Sustainability Performance Targets (SPTs)	13
4.3. Loan Characteristics	13
4.4. Reporting	13
4.5. Verification	13
5. External Review	14

1. Introduction

1.1. About Ascott Residence Trust

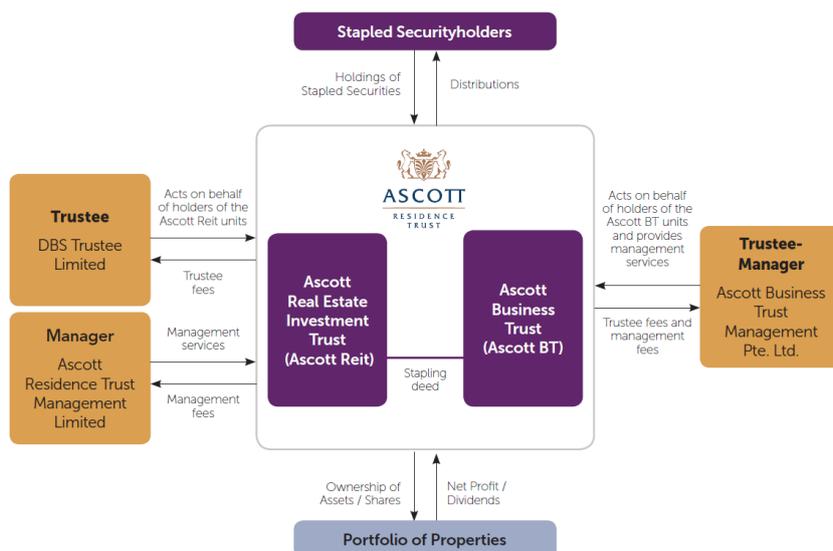
Ascott Residence Trust (hereinafter referred to as “ART” or the Company) is the largest hospitality trust in Asia Pacific with an asset value of S\$7.7 billion as at 31 December 2021. Having listed on the Singapore Exchange Securities Trading Limited (SGX-ST) since March 2006, ART’s objective is to invest primarily in income-producing real estate and real estate-related assets which are used or predominantly used as serviced residences, hotels, rental housing properties, student accommodation and other hospitality assets in any country in the world. ART is a constituent of the FTSE EPRA Nareit Global Real Estate Index Series (Global Developed Index).

ART’s international portfolio comprises 93 properties with about 17,000 units in 43 cities across 15 countries in Asia Pacific, Europe and the United States of America as at 31 December 2021.

ART’s properties are mostly operated under the brands of Ascott The Residence, Somerset, Quest and Citadines. They are mainly located in key gateway cities such as Barcelona, Berlin, Brussels, Hanoi, Ho Chi Minh City, Jakarta, Kuala Lumpur, London, Manila, Melbourne, Munich, New York, Paris, Perth, Seoul, Singapore, Sydney and Tokyo.

1.2. Trust Structure

ART is a stapled group comprising Ascott Real Estate Investment Trust (Ascott Reit) and Ascott Business Trust (Ascott BT). ART is managed by Ascott Residence Trust Management Limited (as Manager of Ascott Reit) and Ascott Business Trust Management Pte. Ltd. (as Trustee-Manager of Ascott BT), both of which are wholly owned subsidiaries of Singapore-listed CapitaLand Investment, a leading global real estate investment manager with a strong Asia foothold.



ART’s properties are mostly operated by our Sponsor and CapitaLand’s lodging business unit, The Ascott Limited (TAL), one of the leading international lodging owner-operators.

1.3. Our Vision

To be the premier hospitality trust with quality assets in key global cities.

1.4. Our Mission

To deliver stable and sustainable returns to Stapled Securityholders.

1.5. Sustainability Management

1.5.1 Sustainability Commitment

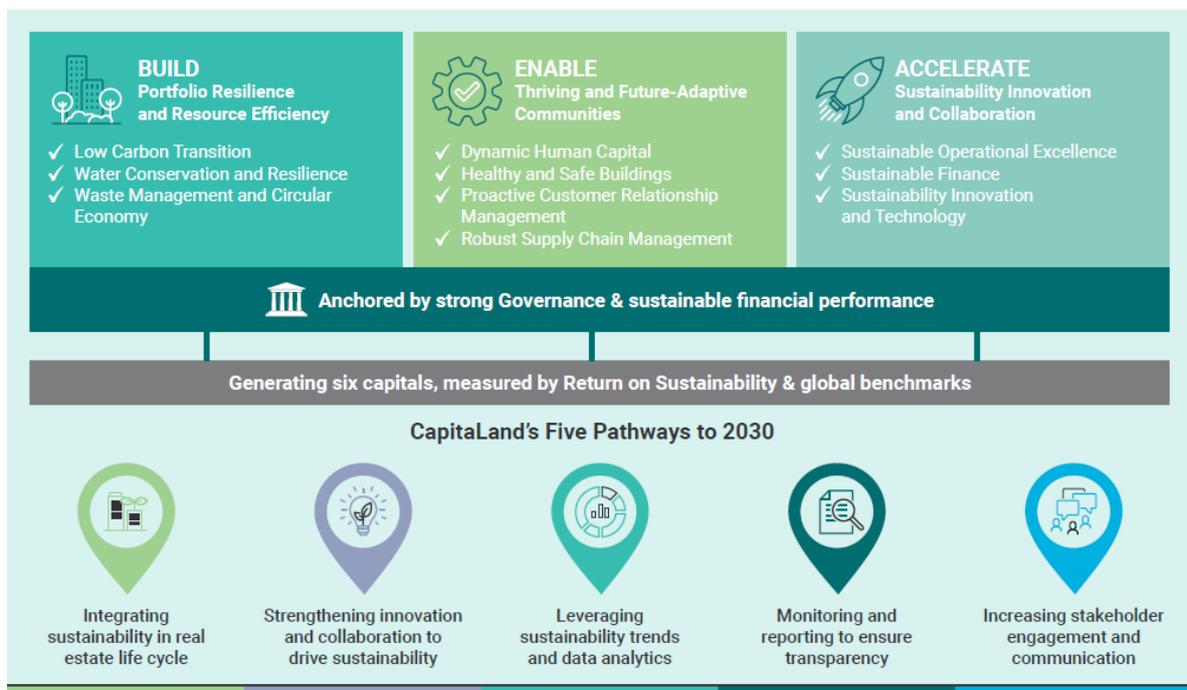
Ascott Residence Trust Management Limited and Ascott Business Trust Management Pte. Ltd are part of the CapitaLand Group and our sustainability strategy is aligned to that of CapitaLand.

CapitaLand places sustainability at the core of everything it does, and is committed to growing in a responsible manner, delivering long-term economic value, and contributing to the environmental and social well-being of our communities.

In 2020, CapitaLand unveiled its 2030 Sustainability Master Plan to elevate the Group's commitment to global sustainability in the built environment given its presence in more than 220 cities and over 30 countries. The Master Plan focuses on three key pillars of **building** a resilient and resource efficient real estate portfolio, **enabling** thriving and future-adaptive communities, and **accelerating** sustainability innovation and collaboration.

As part of the CapitaLand Group, ART is committed to working towards the long-term and annual targets under CapitaLand's 2030 Sustainability Master Plan.

CapitaLand's 2030 Sustainability Master Plan



2021 to 2030 Focus Areas and Targets Under CapitaLand's 2030 Sustainability Master Plan

BUILD Portfolio Resilience & Resource Efficiency		
Low Carbon Transition	Water Conservation and Resilience	Waste Management and Circular Economy
		
<p>CapitaLand will transition to a low-carbon business and set science-based targets. This is in line with the Paris Agreement.</p> <p>Targets</p> <ul style="list-style-type: none"> • Reduce carbon emissions intensity by 78% by 2030, using 2008 as base year. • Reduce energy intensity by 35% by 2030, using 2008 as base year. • Increase the proportion of total electricity consumption from renewable sources to 35% by 2030, using 2008 as base year. 	<p>CapitaLand will implement innovative technologies and practices to reduce water consumption and use water efficiently. CapitaLand will also proactively guard against flood risks by engaging in risk-informed planning and structural flood protection.</p> <p>Target</p> <ul style="list-style-type: none"> • Reduce water intensity by 45% by 2030, using 2008 as base year. 	<p>CapitaLand will improve its resource use and reduce waste generated at all stages of property development and management, while striving to enable a circular economy.</p> <p>Targets</p> <ul style="list-style-type: none"> • Achieve 25% recycling rate in day-to-day operations. • Divert 75% of construction waste from landfill. • Work towards setting an embodied carbon target for new development projects.

ENABLE Thriving & Future-Adaptive Communities

<p>Dynamic Human Capital</p> 	<p>Healthy and Safe Building</p> 	<p>Proactive Customer Relationship Management</p> 	<p>Robust Supply Chain Management</p> 
<p>CapitaLand builds and develops a dynamic workforce and talent pool who will enable the company to achieve its next phase of growth.</p> <p>Targets</p> <ul style="list-style-type: none"> • Equip employees with future-ready skills under the CapitaLand Building Capability Framework (BCF). • Diverse mix of employees in the Group. 	<p>CapitaLand adopts a zero-tolerance policy on practices that compromise on the safety and well-being of staff, residents, shoppers, tenants and the public at all CapitaLand properties. This extends to our construction sites and operational buildings where its contract workers are based.</p> <p>Target</p> <ul style="list-style-type: none"> • Foster a positive and proactive ‘safety culture’ with zero fatality, permanent disability or major injury across CapitaLand Group and for main contractors where applicable. 	<p>CapitaLand is committed to evolving its products and services to meet its customers’ changing expectations and address their needs. CapitaLand will work collaboratively with its customers to influence and support their sustainability goals.</p> <p>Targets</p> <ul style="list-style-type: none"> • Strengthen customer relationships and attain consistently high levels of customer satisfaction. • Implement green lease programme and work together with our tenants to improve their sustainability performance. 	<p>CapitaLand is committed to educating and supporting its supply chain contractors, vendors and suppliers to improve their sustainability standards.</p> <p>Target</p> <ul style="list-style-type: none"> • Build collaborative relationships and work closely with our supply chain to make a positive impact on their sustainability performance.

ACCELERATE Sustainability Innovation & Collaboration

<p>Sustainable Operational Excellence</p> 	<p>Sustainable Finance</p> 	<p>Sustainability Innovation and Technology</p> 
<p>CapitaLand strives to lead the real estate industry in best practices and innovations in environment, health and safety (EHS) solutions that improve the well-being and safety of its customers.</p> <p>Targets</p> <ul style="list-style-type: none"> • Leverage technology and innovation to raise productivity, elevate service quality and improve the well-being and safety of its customers. • Lead the real estate industry in best practices to ensure sustainable operations across its global portfolio. 	<p>CapitaLand will capitalise on emerging opportunities in sustainable finance to enable it to be a distinct leader in the industry. CapitaLand will raise capital that rewards our environmental, social and governance (ESG) performance and adopt innovative solutions with financial incentives and benefits.</p> <p>Target</p> <ul style="list-style-type: none"> • Lead the real estate industry in sustainable finance by tripling the amount of sustainable finance to S\$6 billion. 	<p>CapitaLand’s business thrives on a strong culture built on innovation and purpose. Leveraging our global reach, CapitaLand will find new ways to reduce its environmental footprint and strengthen its ability to make its communities thriving and future-adaptive.</p> <p>Targets</p> <ul style="list-style-type: none"> • Host the ‘CapitaLand Sustainability X Challenge’, an innovation challenge where CapitaLand sources globally for cutting edge technologies and solutions to enable it to meet its 2030 targets. • Establish a sustainability innovation budget to pilot new sustainability solutions and technologies.

CapitaLand's Master Plan targets, which ART, as part of the Group, is also committed to, will contribute to eight United Nations Sustainable Development Goals (UN SDGs), namely SDG 3, 7, 8, 9, 11, 12, 13 and 17.



1.5.2 Strategic Sustainability Management Structure

CapitaLand's sustainability management, strategic oversight of ESG policies and integration come under the purview of the CapitaLand Board. It is supported by the Group Sustainability Office and various work teams who drive continued progress and improvement in the areas of ESG.

The work teams comprise representatives from CapitaLand business units and corporate functions. Each business unit also has its own EHS Committee to drive initiatives in countries where they operate, with support from various departments.

In addition, ART's Boards are updated regularly on matters relating to sustainability risks and business malpractice incidents. They are also updated on the sustainability management performance of ART, key material issues identified by stakeholders and the planned follow-up measures.

To strengthen its sustainability stewardship, ART has formalised a Sustainability Committee which comprises the CEO and Heads of Department of ART's Managers, and the Heads of Department of the operations and technical teams of its Sponsor. A Sustainability Working Committee has also been formed to provide support to the Sustainability Committee.

2. Rationale and Scope of ART's Sustainability-Linked Finance Framework

Sustainable finance is a focus area of CapitaLand's 2030 Sustainability Master Plan, which ART also contributes to. This Sustainability-Linked Finance Framework (hereinafter referred to as the "Framework") lays the foundation and provides opportunities for us to align more closely with CapitaLand's sustainability commitment.

This Framework has been established with reference to the relevant international principles and guidelines for best practices:

- Sustainability Linked Bond Principles (SLBP) published by the International Capital Market Association (ICMA) in June 2020
- Sustainability Linked Loan Principles (SLLP) published by the Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA) and Loan Syndications and Trading Association (LSTA) in July 2021.

This Framework is applicable to ART and all our subsidiaries and will be used for the following sustainability-linked instruments:

- Sustainability-Linked Bonds (SLBs)
- Sustainability-Linked Loans (SLLs)

For the avoidance of doubt, the sustainability-linked instruments may be in any currency, tenor, or with other terms and conditions, including covenants.

3. Sustainability-Linked Bonds

Based on the SLBP, when we structure a SLB, we will cover the following five components:

- i. Selection of Key Performance Indicators (KPIs)
- ii. Calibration of Sustainability Performance Targets (SPTs)
- iii. Bond characteristics
- iv. Reporting
- v. Verification

3.1. Selection of KPIs

Under this Framework, when ART issues a SLB, we will use at least one of the KPIs included in this Framework. These KPIs have been chosen with the SLBP guiding criteria in mind. They represent the material issues that are most relevant and significant to us, and thus where we can make the most positive impact.

KPI 1: Reduction of Scope 1 and 2 Carbon Emissions Intensity (tonnes/m ²)	
Definition of the KPI	Percentage reduction of ART's Scope 1 and 2 carbon emissions intensity related to the total gross floor area (GFA) of properties operated by TAL ¹ (excluding those in operation for less than 12 months and undergoing asset enhancement)
Unit	tonnes/m ²
Baseline	2019: 0.050 tonnes/m ²
Rationale behind the selection of KPI (Relevance, materiality)	<p>In November 2020, CapitaLand had its carbon emissions reduction targets approved by the Science Based Targets initiative (SBTi). The targets are in line with the goals of the Paris Agreement.</p> <p>We work in conjunction with CapitaLand to review and make sure that our operations are closely aligned to its climate strategy.</p>
Coverage	100% of properties under TAL's operational control ² , excluding those in operation for less than 12 months and undergoing asset enhancement

¹ The Ascott Limited (TAL) is ART's Sponsor. As at end 2021, TAL's managed properties represent about 55% by number of properties or about 51% by GFA out of ART's total portfolio.

² For the avoidance of doubt, this means that the KPI excludes all rental housing and purpose-built student accommodation (PBSA) that are outsourced to third party facility managers.

KPI 2: Reduction of Energy Intensity (MWh/m²)

Definition of the KPI	Percentage reduction of ART's energy intensity related to the GFA of properties operated by TAL (excluding those in operation for less than 12 months and undergoing asset enhancement)
Unit	MWh/m ²
Baseline	2019: 0.121 MWh/m ²
Rationale behind the selection of KPI (Relevance, materiality)	Our carbon emissions are mainly attributable to the use of energy at our properties. In order to achieve the carbon emissions reduction targets set by CapitaLand, it will be critical for us to bring down our energy consumption.
Coverage	100% of properties under TAL's operational control ² , excluding those in operation for less than 12 months and undergoing asset enhancement

KPI 3: Percentage of Portfolio GFA With Green Building Standards/Certifications

Definition of the KPI	Percentage of GFA awarded with regional, national or internationally recognised green building standards or certifications by a recognised third party
Unit	%
Baseline	As at end 2020, 21 properties (representing approximately 38% of our portfolio by GFA) had achieved green building certification.
Rationale behind the selection of KPI (Relevance, materiality)	Green building standards and certifications affirm the quality of our properties, as they serve as an external validation that we have considered key environmental aspects in the project design, development, and operations. Green-rated properties are also more resource-efficient to construct and operate, which aids in resource management.
Coverage	100% of ART portfolio

3.2. Calibration of SPTs

This section presents the long-term targets ART has set for each of the KPIs. The SPTs for future SLBs will be derived based on these long-term targets and calibrated to suit the tenor and the target observation date of each SLB.

A separate document that clearly outlines the selected KPIs and SPTs will be prepared prior to the issuance of each SLB. This document will be made available, at a minimum, to the investors of the SLBs.

KPI 1: Reduction of Scope 1 and 2 Carbon Emissions Intensity (tonnes/m ²)																									
Description of SPT	Reduce scope 1 and scope 2 carbon emissions intensity by 62% by 2030, from the base year of 2019																								
Track Record	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>CARBON EMISSIONS¹ (tonnes)</p> <table border="1"> <caption>Carbon Emissions (tonnes)</caption> <thead> <tr> <th>Fiscal Year</th> <th>Direct Carbon Emissions</th> <th>Indirect Carbon Emissions</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>FY 2018</td> <td>2,783</td> <td>41,236</td> <td>44,019</td> </tr> <tr> <td>FY 2019</td> <td>2,502</td> <td>38,266</td> <td>40,728</td> </tr> <tr> <td>FY 2020</td> <td>1,795</td> <td>28,276</td> <td>30,071</td> </tr> </tbody> </table> </div> <div style="text-align: center;"> <p>REDUCTION² IN CARBON INTENSITY (tonnes/m²) VS 2008 BASELINE</p> <table border="1"> <caption>Reduction in Carbon Intensity (tonnes/m²) vs 2008 Baseline</caption> <thead> <tr> <th>Fiscal Year</th> <th>Reduction (%)</th> </tr> </thead> <tbody> <tr> <td>FY 2018</td> <td>29%</td> </tr> <tr> <td>FY 2019</td> <td>30%</td> </tr> <tr> <td>FY 2020</td> <td>39%</td> </tr> </tbody> </table> </div> </div>	Fiscal Year	Direct Carbon Emissions	Indirect Carbon Emissions	Total	FY 2018	2,783	41,236	44,019	FY 2019	2,502	38,266	40,728	FY 2020	1,795	28,276	30,071	Fiscal Year	Reduction (%)	FY 2018	29%	FY 2019	30%	FY 2020	39%
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FY 2020	39%																								
Strategy to achieve SPT	<p>ART undertakes initiatives to improve energy efficiency and increase the use of renewable energy, to transit to a low-carbon business.</p> <p>We prioritise reducing carbon emissions through our internal efforts. As a last resort, we may also consider renewable energy certificates (RECs) and carbon offsets for the residual emissions.</p>																								

KPI 2: Reduction of Energy Intensity (MWh/m ²)																									
Description of SPT	Reduce energy intensity by 15% by 2030, from the base year of 2019.																								
Track Record	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>ENERGY CONSUMPTION¹ (MWh)</p> <table border="1"> <caption>Energy Consumption (MWh)</caption> <thead> <tr> <th>Fiscal Year</th> <th>Indirect Energy Consumption</th> <th>Direct Energy Consumption</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>FY 2018</td> <td>80,998</td> <td>14,119</td> <td>95,117</td> </tr> <tr> <td>FY 2019</td> <td>82,614</td> <td>13,509</td> <td>96,123</td> </tr> <tr> <td>FY 2020</td> <td>57,853</td> <td>9,725</td> <td>67,578</td> </tr> </tbody> </table> </div> <div style="text-align: center;"> <p>REDUCTION² IN ENERGY INTENSITY (MWh/m²) VS 2008 BASELINE</p> <table border="1"> <caption>Reduction in Energy Intensity (MWh/m²) vs 2008 Baseline</caption> <thead> <tr> <th>Fiscal Year</th> <th>Reduction (%)</th> </tr> </thead> <tbody> <tr> <td>FY 2018</td> <td>10%</td> </tr> <tr> <td>FY 2019</td> <td>12%</td> </tr> <tr> <td>FY 2020</td> <td>29%</td> </tr> </tbody> </table> </div> </div> <p style="font-size: small; margin-top: 10px;">Note: FY 2020 consumption includes 1,261MWh of electricity consumption from renewable sources</p>	Fiscal Year	Indirect Energy Consumption	Direct Energy Consumption	Total	FY 2018	80,998	14,119	95,117	FY 2019	82,614	13,509	96,123	FY 2020	57,853	9,725	67,578	Fiscal Year	Reduction (%)	FY 2018	10%	FY 2019	12%	FY 2020	29%
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KPI 2: Reduction of Energy Intensity (MWh/m²)

Strategy to achieve SPT	ART incorporates energy efficiency features into its properties right from the design stage. For operating properties, we leverage energy-saving technologies and engineering solutions and retrofit or replace equipment to improve our energy performance. Energy audits are regularly performed to identify areas of improvement. Guests are also encouraged to go green through in-house awareness campaigns and activities.
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KPI 3: Percentage of Portfolio GFA With Green Building Standards/Certifications

Description of SPT	<p>50% of GFA awarded with green certifications by recognised bodies by 2025</p> <p>100% of GFA awarded with green certifications by recognised bodies by 2030</p>
Track Record	<p>As at end 2019, 5 properties (representing approximately 8% of our portfolio by GFA) had achieved green building certification.</p> <p>As at end 2020, 21 properties (representing approximately 38% of our portfolio by GFA) had achieved green building certification.</p> <p>In 2021, ART acquired 11 rental housing and student accommodation assets. As the new assets have not been awarded with green certifications, the percentage of our portfolio which has achieved green certification has declined to approximately 33% as at end 2021.</p>
Strategy to achieve SPT	<p>For properties in Singapore, the Building and Construction Authority (BCA) administers the Green Mark Certification and the target is to obtain a minimum of Green Mark Gold^{PLUS}.</p> <p>For properties outside of Singapore, the green rating certification is administered by government ministries and agencies as well as accredited certification bodies including World Green Building Council recognised Green Building Councils and World Bank Group's International Finance Corporation (IFC). In 2018, TAL signed a Memorandum of Understanding with IFC to pioneer a green certification for the serviced residence industry, as part of the IFC's Excellence in Design for Greater Efficiencies (EDGE) programme.</p> <p>For development projects, green building rating targets are determined at the outset.</p> <p>For new acquisitions, an Environmental Health Safety Impact Assessment is conducted during the feasibility study stage. The assessment allows us to identify any potential environmental risks and determine the necessary steps to obtain green certification.</p>

3.3. Bond Characteristics

ART will link the performance of the selected KPI(s)/SPT(s) to the financial structure of the SLB. The mechanism may include a variation in the coupon or redemption price, and the degree of variation is endeavoured to be meaningful and commensurate.

The exact mechanism will be described in the pre-issuance documentation. Other details including a fallback mechanism in case the SPT(s) cannot be calculated or observed in a satisfactory manner, and/or language that takes into consideration potential exceptional events or extreme events that could substantially impact the calculation of the SPT(s), will also be provided where applicable.

3.4. Reporting

ART will disclose our performance of the selected KPI(s) and compare against the relevant SPT(s) once a year, at a minimum, until the target observation date of the SLB. The performance will be reported either in ART's annual sustainability report or as a separate document that will be made publicly available.

As far as possible, ART will also include details such as the calculation methodologies and positive impact achieved from working towards the KPI(s) and SPT(s).

3.5. Verification

In relation to the annual reporting covering KPI(s) and SPT(s) and in case of material changes that may impact the SLB's financial and/or structural characteristics (such as a trigger event), ART will engage an independent external reviewer who will verify the accuracy and truthfulness of the performance of the KPI(s) against each SPT. The independent external reviewer could be an auditor or environmental consultant, depending on the nature of the KPI(s) and SPT(s) selected. The verification statement will be made publicly available.

4. Sustainability-Linked Loans

Based on the SLLP, we will structure a SLL covering the following five key components:

- i. Selection of Key Performance Indicators (KPIs)
- ii. Calibration of Sustainability Performance Targets (SPTs)
- iii. Loan characteristics
- iv. Reporting
- v. Verification

4.1. Selection of Key Performance Indicators (KPIs)

ART will use KPIs that are:

- of high strategic significance to the company's current and/ or future operations
- measurable or quantifiable on a consistent methodological basis
- externally verifiable
- preferably able to be benchmarked against peers or an industry standard

and these may include the KPIs discussed under *Section 3.1*.

4.2. Calibration of Sustainability Performance Targets (SPTs)

If the KPI to be used for a SLL is one of those discussed under Section 3.1, the SPT will be set in a spirit to be aligned with the long-term targets described under Section 3.2.

Where a KPI not described within this Framework is used, ART will make sure that the SPT for the KPI is ambitious, quantifiable and to be achieved within a pre-agreed timeline.

4.3. Loan Characteristics

ART will agree with the lender(s) on the pricing adjustment mechanism, including but not limited to the target year to achieve the SPT(s), reporting format and commercial terms / potential incentives in the event the SPT(s) are achieved. The economic outcome could include an adjustment in the interest margin which will be duly documented in full detail in the relevant loan finance document.

4.4. Reporting

ART will provide information to the lender(s) with regard to the progress against our SPT(s) for the selected KPI(s) on an annual basis. We will leverage on our annual sustainability report if the selected KPI(s) are already part of the disclosure.

ART will provide any additional non-confidential information that may be required by the lender(s) should this not be available from the sustainability report or should the information be required prior to the publication of the annual sustainability report.

4.5. Verification

ART will engage an independent external reviewer who will verify the accuracy and truthfulness of the performance against each SPT. The independent external reviewer could be an auditor or environmental consultant, depending on the nature of the KPI(s) and SPT(s) selected. The verification report will be made available at least to the lender(s).

5. External Review

ART has engaged V.E to obtain a Second-Party Opinion (SPO) on the SLB related components of this Framework. VE. considers that ART's Sustainability-Linked Finance Framework is aligned with the five core components of ICMA's Sustainability-Linked Bond Principles 2020 and LMA/APLMA/LSTA's Sustainability-Linked Loan Principles 2021.

The SPO is available at this link: <https://www.ascottresidencetrust.com/>.