

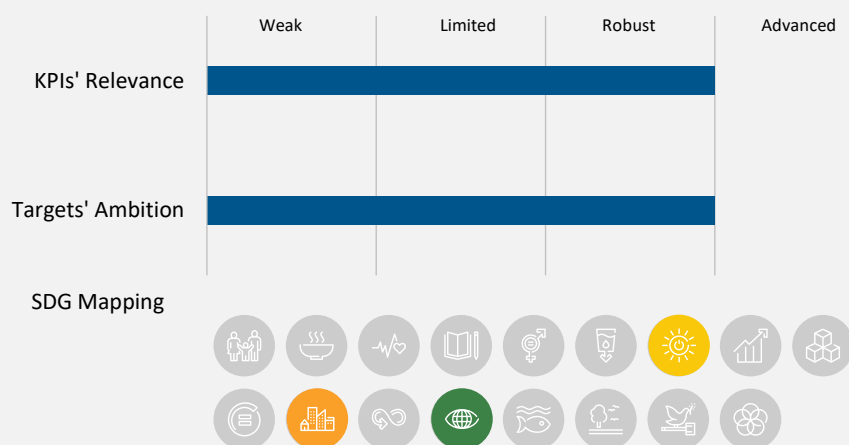
SECOND PARTY OPINION

on Ascott Residence Trust's Sustainability-Linked Finance Framework

V.E considers that Ascott Residence Trust's Sustainability-Linked Finance Framework is aligned with the five core components of ICMA's Sustainability-Linked Bond Principles ("SLBP") 2020 and LMA/APLMA/LSTA's Sustainability-Linked Loan Principles ("SLLP") 2021



Framework



Characteristics of the Framework

Audit of the Data	Yes
Three-year Historical Data	Yes
Nature of the Impacts on the Bond/Loan's Characteristics	Financial
Disclosure of measures to achieve the SPT(s)	Yes

Sustainability Performance Targets (SPTs)

KPI 1: Reduction of Scope 1 and 2 Carbon Emissions Intensity

- SPT 1: Reduce scope 1 and scope 2 carbon emissions intensity by 62% by 2030, from the base year of 2019

KPI 2: Reduction of Energy Intensity

- SPT 2: Reduce energy intensity by 15% by 2030, from the base year of 2019

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

- SPT 3: 50% of GFA awarded with green certifications by recognised bodies by 2025; 100% of GFA awarded with green certifications by recognised bodies by 2030

	2019	2020	2025*	2030*
KPI 1: 2019	0.050 tonnes/m ²	0.043 tonnes/m ²	N/A	0.019 tonnes/m ²
KPI 2: 2019	0.121 MWh/m ²	0.098 MWh/m ²	N/A	0.103 MWh/m ²
KPI 3: 2020	N/A	38%	50%	100%

* Trigger event

Issuer

Involvement in Controversial Activities

The Issuer appears to be involved in one of the 17 controversial activities screened under our methodology:

- | | | | |
|-----------------------------------------------|------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| <input type="checkbox"/> Animal welfare | <input type="checkbox"/> Fossil Fuels industry | <input type="checkbox"/> High interest rate lending | <input type="checkbox"/> Pornography |
| <input type="checkbox"/> Cannabis | <input type="checkbox"/> Coal | <input type="checkbox"/> Human Embryonic Stem Cells | <input type="checkbox"/> Reproductive medicine |
| <input type="checkbox"/> Chemicals of concern | <input type="checkbox"/> Gambling | <input type="checkbox"/> Military | <input type="checkbox"/> Tobacco |
| <input type="checkbox"/> Civilian firearms | <input type="checkbox"/> Genetic engineering | <input type="checkbox"/> Nuclear power | <input type="checkbox"/> Unconventional oil and gas |
| <input checked="" type="checkbox"/> Alcohol | | | |

ESG Controversies

Number of controversies	None
Frequency	N/A
Severity	N/A
Responsiveness	N/A

Key findings

Contextualisation

Ascott Residence Trust (ART) is part of the CapitaLand Group and aligns its sustainability strategy to that of CapitaLand. In 2020, CapitaLand unveiled its 2030 Sustainability Master Plan which included long-term targets covering key environmental aspects, such as carbon, energy, water and waste. Given that CapitaLand is a highly diversified real estate company that has a portfolio across retail, commercial, business park, industrial and logistics, as well as hospitality, CapitaLand has formulated different targets based on the asset classes. ART's Sustainability Performance Targets (SPTs), slightly different than the Group-level targets, reflect the targets assigned by CapitaLand for the hospitality business (which includes ART) and are an integral part of the Group-level long-term targets.

V.E considers that Ascott Residence Trust's Sustainability-Linked Finance Framework is aligned with the five core components of the SLBP and SLLP.

Selection of the Key Performance Indicators (KPIs) – aligned with the SLBP and SLLP

- The KPIs are clearly defined, including the unit of measurement, the rationale and process to select the KPI, the calculation methodology and the scope. They are publicly disclosed in the Framework.
- The KPIs are measurable and are externally verifiable.
- The calculation methodology is consistent, and the Issuer commits to inform the investors/lenders of changes in the methodology.
- The KPIs' definition relies on external references allowing their benchmark.
- The selected KPIs reflect some of the most material sustainability issues for the Issuer's current and future operations, as well as some of the most relevant sustainability challenges for its sector. KPI 1 and KPI 2 cover over 50% of ART's portfolio and KPI 3 covers 100% of the activities

Calibration of the Sustainability Performance Targets (SPTs) – aligned with the SLBP and SLLP

- The SPTs are consistent with the Issuer's existing targets set in its sustainability strategy.
- The SPTs demonstrate a robust level of ambition.
- The timeline, baseline and trigger events are clearly disclosed.
- The means for achieving the SPTs are disclosed and are considered credible.

Bond/Loan Characteristics – aligned with the SLBP and SLLP

- The potential variation of the bond/loan financial characteristics depending on whether the selected KPIs would reach (or not) the predefined SPTs is clearly defined in the Framework.
- It is disclosed to lenders, and in the case of a bond, to the bondholders in the pre-issuance documentation.
- The meaningfulness of the variation of the SLB's financial characteristics of the Bonds cannot be assessed due to lack of details of financial implications at Framework level.

Reporting– aligned with the SLBP and SLLP and best practices identified by V.E

- The Issuer has committed to disclose all relevant information in its annual sustainability report or as a separate document that will be publicly available (including information on the performance of KPIs, information enabling investors to monitor the level of ambition of the SPTs and baselines). The reporting will be published annually and for any material changes, for the whole period that is relevant for assessing the SPTs and related trigger events.
- The intended scope and granularity of the reporting is clear and covers all the required elements.
- The selected KPIs related data are covered by an internal and external verification.

Verification– aligned with the SLBP and SLLP

- The performance of each KPI against each SPT will be covered by an external verification, on an annual basis and in case of material changes impacting the Instrument's financial characteristics (such as a trigger event), until after the last SPT trigger event has been reached.
- The verification assurance report will be publicly available on the Issuer's website.

Type of External Reviews supporting this Framework

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input checked="" type="checkbox"/>	Independent verification of KPI(s) reported data
<input checked="" type="checkbox"/>	Independent verification of SPT(s) achievement		

Contact

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SCOPE

V.E was commissioned to provide an independent Second Party Opinion (“SPO”) on the integration of three environmental factors to the Sustainability-Linked Bonds and Loans (the “Instruments”) issued by Ascott Residence Trust (“ART” or the “Issuer”) in compliance with the Sustainability-Linked Finance Framework (the “Framework”) created to govern their issuances.

Of note, Sustainability-linked debt instruments are intended to finance general corporate purposes. As opposed to other sustainable financial instruments such as green/social bonds or loans, these instruments are agnostic on how funds are used. The main feature of this type of financing is the variation of the bond/loan's financial and/or structural characteristics, depending on whether the Issuer achieves predefined sustainability/ ESG objectives.

Our opinion is established using V.E Environmental, Social and Governance (“ESG”) assessment methodology and the International Capital Market Association’s (ICMA) Sustainability-Linked Bond Principles (“SLBP”) voluntary guidelines, published in June 2020 and the Loan Market Association, Asia Pacific Loan Market Association, Loan Syndications & Trading Association’s (LMA/APLMA/LSTA) Sustainability-Linked Loan Principles (“SLLP”) voluntary guidelines, published in July 2021. This opinion is strictly limited to the integration of three environmental factors to the Instruments. This opinion does not cover the integration of broader sustainability factors (i.e., social and governance), or the labelling of the Instruments where the final decision is left to Ascott Residence Trust. This opinion does not constitute a verification or certification.

Our opinion is built on the review of the following components:

1. Framework: we assessed the Framework, including the coherence between the Framework and the Issuer’s environmental commitments, and the Framework’s alignment with the five core components of the SLBP 2020 and SLLP 2021.
2. Issuer¹: we assessed the Issuer’s management of potential stakeholder-related ESG controversies and its involvement in controversial activities².

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from V.E’s exclusive ESG rating database, and (iii) information provided from the Issuer, through documents.

We carried out our due diligence assessment from November 18th 2021 to February 11th 2022. We consider that we were provided access to all documents and interviewees we solicited. To this purpose, we made reasonable efforts to verify the accuracy of all data used as part of the assessment.

¹ The Issuer is not part of our ESG performance rating universe.

² The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Gambling, Genetic engineering, High interest rate lending, Human Embryonic Stem Cells, Military, Nuclear power, Pornography, Reproductive medicine, Tar sands and oil shale, and Tobacco.

COHERENCE

Coherent
Partially coherent
Not coherent

V.E considers that the selected KPIs are coherent with Ascott Residence Trust's strategic sustainability priorities and sector issues and that they contribute to achieving the Issuer's sustainability commitments.

The Building sector is responsible for 28% of total global energy-related CO₂ emissions in 2019, and 38% if the building construction activities are included. The sector's emissions are from both direct sources and a growing portion of indirect emissions, i.e., electricity consumption in building operation which accounts for 55% of global electricity consumption³. Against this backdrop, the building sector is identified by Internal Energy Agency (IEA) as one of key sectors to decarbonize, and building energy efficiency is believed to be one the main drivers of decarbonization of the sector⁴. The importance of decarbonization of the building sector to our climate goals is also indicated in the Nationally Determined Contributions (NDC) submitted by 136 countries that have explicitly mentioned buildings in their submitted NDC. Out of which, 53 countries specifically mentioned building energy efficiency and 38 mentioned building energy codes⁵. To this end, IEA and Global Alliance for Buildings and Construction agree that making buildings net-zero energy and zero-carbon are key to our global decarbonization strategy. Among all the building stocks that need to transition to net-zero energy, hotels are proven to be highly energy consuming⁶, and energy efficiency improvement of the hotels is a crucial step in decarbonizing the sector.

Ascott Residence Trust, as part of the CapitaLand Group, has identified environmental issues, such as energy efficiency, climate change and emission reduction as critical issues in its materiality matrix.

In 2020, CapitaLand launched its 2030 Sustainability Master Plan which focuses on three key pillars of (i) building a resilient and resource efficient real estate portfolio, (ii) enabling thriving and future-adaptive communities, and (iii) accelerating sustainability innovation and collaboration.

Within the first pillar, CapitaLand focuses notably on a Low Carbon Transition, which includes the following targets⁷:

- (a) reduce carbon emissions intensity by 78% by 2030, using 2008 as base year;
- (b) reduce energy consumption intensity by 35% by 2030, using 2008 as base year; and
- (c) increase the proportion of total electricity consumption from renewable sources to 35% by 2030.

Moreover, sustainable finance is one of the focus areas under CapitaLand's 2030 Sustainability Master Plan, with a target to triple the amount of sustainable finance to S\$6 billion by 2030. Overall, CapitaLand aims to transition to a low-carbon business and has set science-based targets to be in line with the Paris Agreement.

³ https://globalabc.org/sites/default/files/inline-files/2020%20Buildings%20GSR_FULL%20REPORT.pdf

⁴ https://iea.blob.core.windows.net/assets/beceb956-0dcf-4d73-89fe-1310e3046d68/NetZeroBy2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

⁵ https://globalabc.org/sites/default/files/inline-files/2020%20Buildings%20GSR_FULL%20REPORT.pdf

⁶ <https://academic.oup.com/ijlct/article/16/1/246/5896349>

⁷ https://investor.ascottresidencetrust.com/misc/20_0183_Ascott%202020_SR_V13_new.pdf

FRAMEWORK

The Issuer has described the main characteristics of the Instruments within a formalised Framework which covers the five core components of the SLBP 2020 and SLLP 2021 (the last updated version was provided to V.E on February 9th, 2022). The Issuer has committed to make this document publicly accessible on its website⁸ at the first issuance date, in line with good market practices.

Alignment with Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles

Selection of the Key Performance Indicators (KPIs)



Table 1. Analysis of the KPIs selected by the Issuer

KPI 1: REDUCTION OF SCOPE 1 AND 2 CARBON EMISSIONS INTENSITY	KPI 2: REDUCTION OF ENERGY INTENSITY	KPI 3: % OF PORTFOLIO GFA WITH GREEN BUILDING STANDARDS/CERTIFICATIONS
DEFINITION: CLARITY AND DISCLOSURE		
<p>The KPIs are clearly defined, including the unit of measurement, the rationale and process to select the KPIs, the calculation methodologies and the scope. They are publicly disclosed in the Framework.</p> <p>For KPI 1, ART calculates scope 1 and 2 carbon emissions by gathering data from direct and indirect emission sources that are under its operational control respectively, as defined by the Greenhouse Gas (GHG) Protocol. The scope 1 and 2 carbon emissions are then divided by Gross Floor Area (GFA) to obtain the carbon emissions intensity. KPI 1 covers 100% of properties under TAL⁹'s operational control¹⁰, excluding those in operation for less than 12 months and undergoing asset enhancement.</p> <p>For KPI 2, total energy consumption derived from individual building's electricity, fuel, and district heating or cooling is divided by GFA under scope to calculate energy intensity. KPI 2 covers 100% of properties under TAL's operational control¹⁰, excluding those in operation for less than 12 months and undergoing asset enhancement.</p> <p>KPI 3 is defined as the percentage of GFA awarded with regional, national or internationally recognised green building standards or certifications by a recognised third party in ART's portfolio. KPI 3 covers 100% of ART's portfolio.</p>		
MEASURABILITY, BENCHMARK AND VERIFIABILITY		

⁸ www.ascottresidencetrust.com

⁹ The Ascott Limited (TAL) is ART's Sponsor. As at the end of 2021, TAL managed properties represent about 55% by number of properties or about 51% by GFA out of ART total portfolio.

¹⁰ 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.

The KPIs are measurable and are externally verifiable.

The KPIs' underlying data were submitted and reported as part of CapitaLand portfolio and an external verification is provided for CapitaLand's data in its sustainability reports which cover ART data. A moderate (or limited) level of assurance under AA1000AS was provided for CapitaLand's sustainability reports for the past three years.

The calculation methodologies are consistent, and the Issuer commits to inform the investors/lenders of changes in the methodology.

The KPIs were previously disclosed and have historical externally verified KPI values covering at least the previous 3 years.

The KPIs' definition relies on external references allowing their benchmark. KPI 1's definition relies on GRI 305-1 Direct (Scope 1) GHG emissions, GRI 305-2 Energy indirect (Scope 2) GHG emissions and GRI 305-4 GHG emissions intensity, as well as GHG Protocol. In addition, in November 2020, CapitaLand had its carbon emissions reduction targets approved by the Science Based Targets initiative (SBTi).

KPI 2's definition relies on GRI 302-3 Energy intensity and KPI 3's definition relies on GRI G4 Construction and Real Estate sector disclosures CRE8 Type and number of sustainability certification, rating and labelling schemes for new construction, management, occupation and redevelopment.

RELEVANCE AND MATERIALITY

The selected KPIs reflect some of the most material sustainability issues for the Issuer's current and future operations, as well as some of the most relevant sustainability challenges for its sector. KPI 1 and KPI 2 cover over 50% of ART's portfolio and KPI 3 covers 100% of the activities.

Considering both KPI 1 and KPI 2 address similar issues and are intertwined, V.E assessed their relevance on a consolidated basis (i.e. the limited coverage of the KPIs leading to a limited relevance is only accounted for once). The relevance of KPI 3 is considered robust. V.E considers the KPIs' relevance to be overall robust.

Based on the scientific reports published by the Intergovernmental Panel on Climate Change, the UN Framework Convention on Climate Change (UNFCCC) acknowledges the possibility of harmful climate change due to the increasing and irreversible level of greenhouse gases emissions (GHG). The Paris Agreement sets out a global framework to avoid dangerous climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C. It also aims to strengthen companies' ability to deal with the impacts of climate change and support them in their efforts.

The decarbonization of the building sector is vital to the global climate strategy. The building sector is currently responsible for about 28% of total global energy-related CO₂ emissions, and 38% if the construction activities are included¹¹. In the IEA's net zero by 2050 scenario, the building sector worldwide is expected to grow by 75% between 2020 and 2050 in terms of floor area, however, total carbon emissions from the building sector are expected to decline by more than 95% from 2020 to 2050 despite of the growth in the sector. Moreover, still according to the IEA, more than 85% of building stock need to be zero-carbon-ready building by 2050¹². This requires massive reduction in emission intensity in the building sector, which will be achieved through energy efficiency and electrification of the sector. The energy efficiency improvement in buildings is believed to deliver the largest share of avoided energy consumption by 2030¹³.

Due to the significant impact the sector has on the environment, green building certifications and standards were introduced to define criteria aiming to improve the environmental performance of the buildings. The certifications are widely accepted to be an important tool for quality assurance.

Recently, the certifications are also used to verify the requirements around sustainable finance practices¹⁴.

Many countries are looking into greening their buildings, for example, the European Union (EU) has mandated all new buildings to be nearly-zero energy buildings (NZEB) by the end of 2020 and required EU countries to establish strategies to decarbonize the national building stocks by 2050. In Singapore, where Ascott Residence Trust is headquartered, the government has established a "80-80-80 in 2030" target for the building sector, which aims to achieve three objectives by 2030: (a) Stepping up the pace to green 80% of the buildings (by gross floor area); (b) Having 80% of new developments (by gross floor area) to be Super Low Energy (SLE) buildings; (c) Achieving 80% improvement in energy efficiency for best-in-class green buildings.

¹¹ https://globalabc.org/sites/default/files/inline-files/2020%20Buildings%20GSR_FULL%20REPORT.pdf

¹² https://iea.blob.core.windows.net/assets/beceb956-0dcf-4d73-89fe-1310e3046d68/NetZeroBy2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

¹³ <https://iea.blob.core.windows.net/assets/9c30109f-38a7-4a0b-b159-47f00d65e5be/EnergyEfficiency2021.pdf>

¹⁴ https://globalabc.org/sites/default/files/inline-files/2020%20Buildings%20GSR_FULL%20REPORT.pdf

ART appears to acknowledge its sustainability challenges and has identified energy efficiency, climate change and emission reduction, among others, as critical issues in its materiality matrix. Specific long-term targets were established with the aim to reduce its environmental footprint, which includes the reduction of carbon emission intensity and energy intensity.

It is important to highlight the importance of decarbonization of the built environment throughout its entire life cycle which includes Scope 3, related to purchased products and services. For commercial real estate, Scope 3 appears to account for a significant share of the total GHG emissions (e.g. Accor Hotel reported that scope 3 represented 52% of its total footprint¹⁵). As of today, ART has not quantified its Scope 3 emissions, therefore V.E considers that the KPI's coverage does not fully demonstrate ART's total sustainability impact. In addition, only approximately 50% of the activity is covered by KPI 1 and KPI 2, with no visibility on what the 50% left represents in terms of GHG emissions.




BEST PRACTICES

- ⇒ The KPIs were previously disclosed and have historical externally verified KPI values covering at least the previous 3 years.
- ⇒ The KPIs' definition relies on external references allowing their benchmark.

¹⁵ https://group.accor.com/-/media/Corporate/Investors/Documents-de-reference/2020_Integrated_report_def.pdf

SDG CONTRIBUTION

The selected KPIs are likely to contribute to three of the United Nations' Sustainable Development Goals ("SDGs"), namely:

KPI	SDG	SDG TARGETS
Reduction of Scope 1 and 2 Carbon Emissions Intensity Reduction of Energy Intensity	 7 Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3 By 2030, double the global rate of improvement in energy efficiency.
Percentage of Portfolio GFA With Green Building Standards/Certifications	 11 Industry, Innovation and Infrastructure	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Reduction of Scope 1 and 2 Carbon Emissions Intensity Reduction of Energy Intensity	 13 Climate Action	UN SDG 13 consists of taking urgent action to combat climate change and its impacts. Real estate companies can contribute to this goal by investing in renewable energy, green buildings, and reducing greenhouse gas emissions from their operations.

Calibration of the Sustainability Performance Target (SPT)



AMBITION

KPI 1: Reduction of Scope 1 and 2 Carbon Emissions Intensity

By using the reduction of scope 1 and 2 carbon emissions intensity over time, the data set should fairly show positive or negative KPI trend, reflecting the Issuer's commitment to fight climate change, thus enabling investors/lenders to make an appropriate assessment of the overall environmental performance.

Table 2 – Reduction of Scope 1 and 2 Carbon Emissions Intensity (measured in tonnes/m²)

			REPORTED DATA				OBJECTIVES
KPI		2008	2017	2018	2019 (Baseline)	2020	2030*
		0.071	0.051	0.051	0.050	0.043	0.019
Historical annual variation (%)		N/A	N/A	0	- 2.0	- 14.0	
Compound annual growth rate (%) (2008-2019 and 2019-2030)		- 3.2				- 8.4	
Targeted reduction of Scope 1 and 2 carbon emissions intensity	Cumulative variation (%)					- 62	
	Annual variation (%)					- 5.6	

*Trigger event

^ Due to rounding, the percentages shown in the table may demonstrate small variations compared to the KPI figures

The SPT is in line with CapitaLand Group-level targets set for the hospitality business and is consistent with the Group's overarching sustainability strategy.

The objective is to reduce scope 1 and scope 2 carbon emissions intensity by 62% by 2030 compared to the 2019 baseline, to reach 0.019 tonnes/m². The target therefore represents a reduction of about 73% by 2030 compared to 2008 level, in line with CapitaLand Group commitments to reduce its carbon emissions intensity by 78% using the same baseline.

The timeline, baseline and trigger events are clearly disclosed.

Based on several points of comparison, V.E considers that the SPT demonstrates a robust level of ambition.

Business-as-usual Trajectory Benchmark Analysis

The SPT represents a material improvement compared to the company's Business as Usual (BaU).

The Issuer has provided historical data on the KPI, which has demonstrated an overall trend of reduction in carbon emissions intensity over the years. Data shows that between 2008 and 2019, scope 1 and scope 2 carbon emissions intensity have a compound annual growth rate (CAGR) of -3.2%. However, the reduction trend is not consistent, the carbon emissions intensity in 2017 and 2018 remained the same and decreased by 2.0% in 2019 compared to 2018 levels. The improvement in carbon emissions intensity in 2020 (decrease of 14.0% compared with 2019 levels) is believed to reflect the decline in hotel occupancy due to the COVID-19 impact on the hotel sector and should not be considered as part of ART's BaU. Given that context, the contemplated target to decrease scope 1 and scope 2 carbon emissions intensity by 62% from 2019 to 2030, which would represent a 5.6% average annual reduction and a -8.4% CAGR, is considered to demonstrate a positive trend compared to the company's BaU.

Sector Peers Benchmark

The SPT demonstrates a robust level of ambition compared to sector peers' performances.

The following two companies have been identified as the most relevant peers for the comparison.

Table 3: Sector Peers Benchmark for KPI 1

Company Name	Main Market	Carbon Emission Intensity Reduction Target	Baseline Year	Timeframe	Average Annual Reduction	Targeted Carbon Emission Intensity
ART	Global	62% reduction in scope 1 and scope 2 carbon emissions intensity per m ² by 2030	2019	11 years	5.6%	19.0 kg CO ₂ e/m ²
Hilton	Global	61% reduction in scope 1 and scope 2 GHG emission intensity per m ² by 2030	2008	22 years	2.8%	61.1 ¹⁶ kg CO ₂ e/m ²
Marriott	Global	30% reduction in scope 1 and scope 2 carbon emissions intensity per m ² by 2025	2016	9 years	3.3%	91.7 ¹⁷ kg CO ₂ e/m ²

In terms of reduction rate in carbon emission intensity, ART appears to be more ambitious than some of its peers. The Issuer has set a target to reduce scope 1 and scope 2 carbon emissions intensity by 62% by 2030 compared to base year of 2019, which represents an average annual reduction of 5.6% in the next 11 years. Marriott is committed to reduce by 30% its scope 1 and scope 2 carbon emissions intensity by 2025 against 2016 baseline levels which represents an average reduction rate of 3.3% annually and Hilton is committed to a 61% reduction in scope 1 and scope 2 GHG emission intensity per m² by 2030, compared to 2008, which represents an average reduction rate of 2.8%. Both sector peers appear to have less ambitious targets than ART.

The actual value in carbon emissions intensity the companies aim to reach is also an important factor. While Marriott's target is set 5 years ahead of ART's, making it less relevant for comparison purpose, ART appears to be more ambitious than Hilton as it intends to reach 1/3 of value in carbon emissions intensity by 2030 compared to Hilton's pledged commitment.

That said, the inherent shortcoming of an intensity target is that the absolute reduction in emissions is not guaranteed¹⁸, and the sector leaders V.E researched tend to adopt an absolute emission reduction target which covers also scope 3 emissions.

For example, Accor has committed to a net zero strategy and set a target to reduce absolute scope 1 and 2 GHG emissions by 46% in 2030 from 2019 baseline levels and reduce absolute scope 3 GHG emissions by 28% over the same timeframe¹⁹.

Official International Targets and Scenarios Benchmark Analysis

The SPT demonstrates a robust level of ambition compared to sector standards.

According to the Sustainable Hospitality Alliance²⁰, the global hotel industry will need to reduce its GHG emissions intensity by 66% from 2010 levels by 2030 and 90% by 2050 to be aligned with the 2° scenario. ART's target is to reduce 62% in scope 1 and 2 carbon emissions intensity by 2030 from 2019 levels and has also reported to have achieved a 30% reduction in carbon emissions intensity compared to its 2008 levels in 2019. Both targets demonstrate an ambition in line, if not more

¹⁶ <https://cr.hilton.com/wp-content/uploads/2021/04/Hilton-2020-CDP-Climate-Change-Questionnaire.pdf>

¹⁷ http://serve360.marriott.com/wp-content/uploads/2021/09/Marriott-CDP_Climate_2021.pdf

¹⁸ <https://sciencebasedtargets.org/resources/legacy/2017/04/SBTi-manual.pdf>

¹⁹ <https://group.accor.com/en/Actualites/2021/04/world-earth-day>

²⁰ <https://sustainablehospitalityalliance.org/resource/global-hotel-decarbonisation-report/>

ambitious, than the sector standard. In addition, ART's carbon emissions target is covered by CapitaLand's Science Based Target which was approved by SBTi in November 2020.

KPI 2: Reduction of Energy Intensity

By using the reduction of energy intensity over time, the data set should fairly show positive or negative KPI trend, reflecting the Issuer's commitment to fight climate change, thus enabling investors/lenders to make an appropriate assessment of the overall environmental performance.

Table 4 – Reduction of Energy Intensity (measured in MWh/m²)

		REPORTED DATA					OBJECTIVES
KPI		2008	2017	2018	2019 (Baseline)	2020	2030*
		0.138	0.120	0.124	0.121	0.098	0.103
Historical annual variation (%)		N/A	N/A	+ 3.3	- 2.4	- 19.0	
Compound annual growth rate (%) (2008-2019 and 2019-2030)		- 1.2					- 1.5
Targeted reduction of Energy intensity	Cumulative variation (%)						- 15
	Annual variation (%)						- 1.4

*Trigger event

^Due to rounding, the percentages shown in the table may demonstrate small variations compared to the KPI figures

The SPT is in line with CapitaLand Group-level targets set for the hospitality business and is consistent with the Group's overarching sustainability strategy.

The objective is to reduce energy intensity by 15% by 2030 compared to the base year of 2019, to reach 0.103 MWh/m². ART reported that a reduction of 12% in energy intensity was already achieved in 2019, compared to 2008 level. The target therefore represents a reduction of about 25% by 2030 compared to 2008 level.

The timeline, baseline and trigger events are clearly disclosed.

Based on several points of comparison, V.E considers that the SPT demonstrates a limited level of ambition.

Business-as-usual Trajectory Benchmark Analysis

The SPT demonstrates a trend aligned with the company's Business as Usual (BaU).

The Issuer has provided historical data on the KPI. Historical data demonstrates an overall trend in energy intensity reduction over the years. Data shows energy intensity maintains a CAGR of -1.2% in the past 11 years, even though the reduction rate does not appear to be evenly distributed over the years, to take 2017 to 2019 as an example, energy intensity increased by 3.3% in 2018 compared to 2017 levels before it decreased by 2.4% in 2019 compared to 2018 levels. Similar to the carbon emissions intensity, the improvement achieved in energy intensity in 2020 is largely due to the decline in hotel occupancy caused by COVID-19 and should not be considered as part of ART's BaU. As such, the contemplated target to decrease energy intensity by 15% from 2019 to 2030, which would represent a 1.4% average annual reduction and a CAGR of -1.5%, is considered to be aligned with the company's BaU.

Sector Peers Benchmark

Due to the lack of visible comparable quantitative targets, there is no relevant sector peers' benchmark for the defined KPI and SPT. As a result, this benchmark analysis has been deactivated.

Official International Targets and Scenarios Benchmark Analysis

The SPT demonstrates a limited level of ambition compared to sector standards.

Due to the absence of comparable hospitality standards, the building sector standard is used for sector benchmark purpose. According to the Global Alliance for Buildings and Construction and IEA²¹, for the world to reach net zero by 2050, the building sector needs to improve by 6% in energy intensity per year from 2020 to 2030. ART's annual reduction rate is about 1.4% from 2019 to 2030, which is considered less ambitious than the sector expectation.

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

By increasing the percentage of the portfolio covered by green building standards/certifications over time, the data set should fairly show positive or negative KPI trend, reflecting the Issuer's commitment to fight climate change, thus enabling investors/lenders to make an appropriate assessment of the overall environmental performance.

Table 5 – Percentage of Portfolio GFA with Green Building Standards/Certifications (measured in %)

KPI	REPORTED DATA			OBJECTIVES	
	2018	2019	2020 (Baseline)	2025*	2030*
	8.2%	8.2%	38%	50%	100%
Historical annual variation (pp)	N/A	0	+ 29.8		
Variation between baseline and objectives (pp) (2020-2025 and 2020- 2030)				+ 12	
				+ 62	
Annual average variation (pp) (2020-2025 and 2020- 2030)				+ 2.4	
				+ 6.2	

*Trigger event

The SPTs are consistent with the Issuer's Group-level sustainability strategy.

The timeline, baseline and trigger events are clearly disclosed.

²¹ https://globalabc.org/sites/default/files/2021-10/GABC_Buildings-GSR-2021_BOOK.pdf

Based on several points of comparison, V.E considers that the SPTs demonstrate a robust level of ambition.

Business-as-usual Trajectory Benchmark Analysis

The SPTs represent a material improvement compared to the company's Business as Usual (BaU).

The Issuer has provided historical data on the KPI. Data shows that in 2018 and 2019, the percentage of green buildings in ART's portfolio remained at approximately 8.2% and increased to 38% by the end of 2020. At the end of 2021, due to the newly acquired rental housing and student accommodation assets which are not currently certified under green standards, the percentage covered by green certifications within ART's portfolio dropped to approximately 33%. Based on the previous four years' data, no clear trend was established, however the Issuer's SPTs for 2025 and 2030 demonstrate a material improvement compared to the KPI's past performance.

Sector Peers Benchmark

Due to the lack of visible comparable quantitative targets, there is no relevant sector peers' benchmark for the defined KPI and SPT. As a result, this benchmark analysis has been deactivated.

Official International Targets and Scenarios Benchmark Analysis

The SPTs demonstrate an advanced level of ambition compared to sector standards.

Global Alliance for Buildings and Construction²² proposed a series of targets to decarbonise global building stock, including building certification for operational performance. Based on the proposed accelerated targets, 20% of all buildings should be certified by 2030 and 60% should be certified by 2040. In Singapore, where ART is headquartered, the government is committed to green 80% of all buildings by 2030. By achieving 100% of its GFA awarded with green certifications by recognised bodies by 2030, ART appears to exceed both sector expectations and local regulatory requirements.

MEASURES TO ACHIEVE THE SPTS

The means for achieving the SPTs are disclosed and are considered credible.

ART reports implementing the following initiatives in order to achieve the targets:

- ART will improve energy efficiency by incorporating energy efficiency features into its properties starting from the design stage. In the operational stage, ART will leverage energy-saving technologies and engineering solutions, as well as retrofit or replace equipment as necessary to improve energy performance. ART will also use regular energy audits as a channel to identify areas of improvement. Guests are also encouraged to go green through in-house awareness campaigns and activities.
- ART will increase the use of renewable energy to reduce carbon emissions in relation with electricity consumption. RECs and carbon offsets might be used for the residual emissions.
- ART aims to certify Singapore properties to a minimum Green Mark Gold^{PLUS} level, and for properties outside Singapore, other types of green certifications will be obtained which are administered by government ministries and agencies and accredited certification bodies. 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.

²² https://globalabc.org/sites/default/files/inline-files/GlobalABC_Roadmap_for_Buildings_and_Construction_2020-2050_3.pdf

Bond/Loan Characteristics



The potential variation of the bond/loan financial characteristics depending on whether the selected KPIs would reach (or not) the predefined SPTs is clearly defined in the Framework. It is disclosed to lenders, and in the case of a bond, to the bondholders in the pre-issuance documentation.

ART confirms that the Instruments issued under this Framework will be subject to variations in their financial characteristics depending on the achievement of the defined trigger events. The exact mechanism and impacts will be detailed for each Instrument in the corresponding documentation (i.e., pre-issuance documentation).

For Bonds, ART reports the mechanism may include a variation in the coupon or redemption price depending on the achievement (or not) of the pre-defined SPTs. For Loans, ART reports the economic outcome could include an adjustment in the interest margin depending on the achievement (or not) of the pre-defined SPTs.

The meaningfulness of the variation of the financial characteristics of the Bond cannot be assessed due to lack of details of financial implications at Framework level.

*V.E considers that, as of today, there is insufficient information and market precedent to appropriately assess the potential best practices regarding the bond/loan characteristics' variation. In this sense, the "Aligned" level is currently considered to be the highest level to be achieved by Issuer on this pillar.

Reporting

Not Aligned

Partially Aligned

Aligned

Best Practices

KPI 1: REDUCTION OF SCOPE 1 AND 2 CARBON EMISSIONS INTENSITY

KPI 2: REDUCTION OF ENERGY INTENSITY

KPI 3: % OF PORTFOLIO GFA WITH GREEN BUILDING STANDARDS/CERTIFICATIONS

REPORTING ACCESSIBILITY AND FREQUENCY

The Issuer has committed to disclose all relevant information in its annual sustainability report or as a separate document that will be publicly available (including information on the performance of KPIs, information enabling investors to monitor the level of ambition of the SPTs and baselines). The reporting will be published annually and for any material changes, for the whole period that is relevant for assessing the SPTs and related trigger events.

REPORTING SCOPE AND GRANULARITY

The intended scope and granularity of the reporting is clear and covers all the required elements.

The Issuer has committed to disclosing all relevant information in public documentation, including:

- information on the performance of the KPI (and baselines).
- information on the level of ambition of the SPT (issuer's strategy etc.).
- related impact on the bond financial and/or structural characteristics. ART will describe the impact in the pre-issuance documents and, at a minimum, inform the investors of the outcome of the result and any impact to the bond's financial characteristics after the target observation date.

REPORTING PROCESS, MONITORING AND CONTROL

The selected KPIs related data are covered by an internal and external verification.

ART reports that utility data are collected from data contributors from each property on a monthly basis. The environmental data are collected and managed on the environmental tracking platform hosted by Creit360.

ART confirms that KPIs' related data are subject to internal verification, and an independent external reviewer will also be engaged to verify the accuracy and truthfulness of the KPIs' performance in the context of an issuance under their Framework.

BEST PRACTICES

⇒ KPI data undergoes both internal and external verification.

Verification



- The performance of each KPI against each SPT will be covered by an external verification, on an annual basis and in case of material changes impacting the Instrument's financial characteristics (such as a trigger event), until after the last SPT trigger event has been reached.
- The verification assurance report will be publicly available on the Issuer's website.

ISSUER

Management of ESG Controversies

As of February 2022, the review conducted by V.E did not reveal any ESG controversy against ART over the last four years.

Involvement in Controversial Activities

As of February 2022, the Issuer appears to be involved in one of the 17 controversial activities screened under our methodology, namely:

- Minor involvement in Alcohol: Ascott Residence Trust has an estimated turnover from alcoholic beverages which is below 5% of total turnover. This turnover is derived from the sale of alcoholic beverages at the company's owned and operated hotels in Australia.

ART does not appear to be involved in any of the other 16 controversial activities screened under our methodology, namely: Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from V.E.

METHODOLOGY

In V.E' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the Issuer; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E' Scientific Council.

FRAMEWORK

Alignment with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework/Bond has been evaluated by V.E according to the LMA/APLMA/LSTA's Sustainability-Linked Loan Principles – July 2021 ("SLLP") and the ICMA's Sustainability-Linked Bond Principles - June 2020 ("SLBP") and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Selection of Key Performance Indicators (KPIs)

KPI's materiality and coherence with the Issuer/Borrower's overall sustainability strategy and with the Issuer/Borrower sector's main sustainability challenges. KPI's measurability and clarity, internal and external control over the KPI's data, exhaustiveness of the KPI's coverage.

Calibration of Sustainability Performance Targets (SPTs)

Coherence of the SPTs with the overall sustainability strategy, ambition of the SPTs (compared the Issuer/Borrower's own performance, sector peers and relevant international standards), trigger events' disclosure, disclosure and credibility of the means for achievement (including scope and geographical coverage of the means).

Bond/Loan characteristics

Disclosure of the bond/loan characteristics' variation, meaningfulness of these variation (for alignment with SLBP only).

Reporting

Reporting process formalisation and verification, data's accessibility.

Verification

Verification of the performance against the SPTs and disclosure of the assurance reports.

ISSUER / BORROWER

Management of stakeholder-related ESG controversies

V.E defines a controversy as public information or contradictory opinions from reliable²³ sources that incriminate or make allegations against an issuer regarding how it handles ESG issues as defined in V.E ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures or non-proven claims.

V.E reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the Issuer, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the Issuer (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the Issuer for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on an Issuer's reputation reduces with time, depending on the severity of the event and the Issuer's responsiveness to this event. Conventionally, V.E' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the Issuer's involvement in any of them. The Issuer's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the Issuer.

V.E'S ASSESSMENT SCALES

Scale of assessment of the KPI(s) materiality and the associated SPT(s) ambition.		Scale of assessment of financial instrument's alignment with Sustainability-Linked Bond and Loan Principles	
Advanced	The selected KPI(s) reflects the most material issues for the Issuer's core sustainability and business strategy and address the most relevant environmental, social and/or governance challenges of the industry sector.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the LMA/APLMA/LSTA's Sustainability-Linked Loan Principles by adopting recommended and best practices.
	An advanced ambition is achieved when the SPT(s) can demonstrate the following: (i) alignment with the 2D scenario/recognized sector standards (when available) (ii) a top performance in comparison to sector peers, and (iii) an improvement of the company's performance.		
Robust	The selected KPI(s) reflects material issues for the Issuer's core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the industry sector.	Aligned	The Instrument has adopted all the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the LMA/APLMA/LSTA's Sustainability-Linked Loan Principles.
	A robust ambition is achieved when the SPT(s) can demonstrate at least two out of three of the following items: (i) alignment with the 2D scenario/recognized sector standards (ii) a performance in line with the average performance of sector peers, and (iii) an improvement of the company's performance.		
Limited	The selected KPI(s) does not appropriately reflect material issues for the Issuer's core sustainability and business strategy and partially	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Sustainability-Linked Bond Principles

²³ 'Reliable' means that there are sufficient details to substantiate claims made, with due attention paid to the political dimension of news and the danger of misinformation. V.E draws on investigative journalism, the business press, NGO and trade union reports which focus on corporate behavior relating to ESG issues. It is neither possible nor advisable to create a prescriptive fixed list of sources as new, valid sources arise all the time and it is necessary to investigate these as and when they are retrieved in order to comprehensively cover evolving issues and media.

	address relevant environmental, social and/or governance challenges of the industry sector.		and/or of the LMA/APLMA/LSTA's Sustainability-Linked Loan Principles, but not all of them.
	A limited ambition is achieved when the SPT(s) can demonstrate only one out of three of the following: (i) alignment with the 2D scenario/recognized sector standards (ii) a performance in line with the average performance of sector peers, and (iii) an improvement of the company's performance.		
Weak	The selected KPI(s) does not reflect material issues for the Issuer's core sustainability and business strategy and do not address relevant environmental, social and/or governance challenges of the industry sector.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the LMA/APLMA/LSTA's Sustainability-Linked Loan Principles.
	A weak ambition is achieved when the SPT(s) (i) is not aligned the 2D scenario/recognized sector standards (ii) is below the average performance of its sector peers, and (iii) shows a negative trend in the company's performance.		

Statement on V.E.'s independence and conflict-of-interest policy

Transparency on the relation between V.E and the Issuer/Borrower: V.E has not carried out any audit mission or consultancy activity for ART. No established relation (financial or commercial) exists between V.E and ART. V.E's conflict of interest policy is covered by its Code of Conduct, which can be found at <http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf>

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond/Loan, based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Issuer/Borrower's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer/Borrower. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer/Borrower. The Issuer/Borrower is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by V.E neither focuses on the financial performance of the Bond/Loan, nor on the effective allocation of its proceeds. V.E is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction. Restriction on distribution and use of this opinion: The deliverables remain the property of V.E. The draft version of the Second Party Opinion by V.E is for information purpose only and shall not be disclosed by the client. V.E grants the Issuer/Borrower all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer/Borrower shall determine in a worldwide perimeter. The Issuer/Borrower has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bond/loan(s) issuance. The Issuer/Borrower acknowledges and agrees that V.E reserves the right to publish the final version of the Second Party Opinion on V.E website and on V.E internal and external communication supporting documents.

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