



**OUE** COMMERCIAL REIT

# Green Financing Framework

November 2023



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## 1. Introduction

### 1.1 About OUE Commercial REIT<sup>1</sup>

OUE Commercial Real Estate Investment Trust (“OUE C-REIT” or the “Trust”) is one of Singapore’s largest diversified REITs (“S-REITs”). With total assets of S\$6.0 billion as of 31 December 2022, the property portfolio comprises seven commercial and hospitality properties with more than 2.1 million square feet of prime office and retail space, as well as 1,643 upper upscale hotel rooms in Singapore and Shanghai, China.

OUE C-REIT has been listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) since 27 January 2014, and invests in income-producing real estate primarily for (1) commercial purposes, including real estate used primarily for office and retail purposes, in financial and business hubs, (2) hospitality and/or hospitality-related purposes, as well as other real estate-related assets.

OUE C-REIT is managed by OUE Commercial REIT Management Pte. Ltd. (the “Manager”), a wholly-owned subsidiary of OUE Limited (the “Sponsor”), a leading real estate and healthcare group whose real estate activities include the development, investment and management of real estate assets across the commercial, hospitality, retail, residential, and healthcare sectors. OUE C-REIT aims to deliver stable distributions and provide sustainable long-term growth in returns to investors.

### 1.2 Sustainability at OUE C-REIT

As part of its commitment to sustainability, the Trust established its sustainability framework aligned to the OUE Group and focuses on three key pillars dovetailed to the Trust’s key strategies: Stewarding the Environment, Strengthening Social Fabric, and Building Trust.



#### **Stewarding the Environment**

In recognition of OUE C-REIT’s environmental impact as a property owner and manager, the Trust has taken a proactive stance in addressing climate change and to build climate resilience around its business. To this end, the Trust has established long-term targets on greenhouse gas (“GHG”) emissions, energy use and efficiency, and water intensity with the goal to reduce the environmental impact of its buildings and create sustainable long-term value for all stakeholders.

<sup>1</sup> <https://www.ouect.com/profile.html>

With the shift towards sustainability, green leases were introduced in 2021 and are increasingly being adopted. As of 31 December 2022, green leases accounted for approximately 21.1% of the Singapore commercial segment net lettable area. Meanwhile, the Trust's continual effort in improving its sustainability performance through enhanced operational planning was recognised, with 95.6% of OUE C-REIT's portfolio being green certified<sup>2</sup> as of 30 June 2023.

To better identify risks, areas of improvement, as well as feasible actions to be taken at the asset level, the Trust has been participating in the Global Real Estate Sustainability Benchmark ("GRESB") assessment since 2022.

### **Strengthening Social Fabric**

The success of OUE C-REIT hinges on the active involvement of its stakeholders. Therefore, it is paramount that the Manager foster social environments that generate sustainable value and positive impact for all stakeholders.

To this end, the Manager engages in extensive interactions with the Trust's stakeholders to gain insights into their concerns and expectations. This approach is vital to ensuring that OUE C-REIT's operations remain sustainable and aligned with stakeholders' expectations, which includes promoting a safe and healthy working environment, prioritising the well-being and interests of employees, tenants and visitors, and safeguarding the welfare of the local community.

### **Building Trust**

OUE C-REIT is committed to fair and ethical business conduct with good corporate governance standards and aims to uphold its continued excellence through maintaining a strong culture of ethics and compliance across its organisation.

OUE C-REIT is regulated as a collective investment scheme under the Securities and Futures Act and is in compliance with local laws and regulations. These include rules set out in the Property Fund Guidelines under the Code of Collective Investment schemes by the Monetary Authority of Singapore ("MAS"), the listing rules of the Singapore Exchange, the Code of Corporate Governance and the latest Environmental Risk Management Guidelines by MAS. These rules guide the Manager's ongoing compliance towards laws and regulations. Additionally, OUE C-REIT's Code of Business Conduct and Ethics ("Code") underpins the Trust's values and the whistle-blowing policy ensures proper channels are established for reporting of misconduct without fear of reprisals in any form. The Trust further leverages on the expertise of the OUE Group IT team to establish its Technology Risk Management Framework in an effort to continuously manage cyber security risks.

The Manager recognises the importance of having a diverse Board to support OUE C-REIT's strategic objectives and sustainable development, and has implemented a diversity policy considering relevant measurable objectives. The Board actively equips itself with the relevant competencies to fulfil its responsibility to oversee OUE C-REIT's sustainability risks. The Board delegates its responsibilities through the Sustainability Steering Committee ("SSC") which consists of C-suite, the Asset Management and

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<sup>2</sup> Based on asset valuations as at 31 December 2022 and OUE C-REIT's proportionate interest in the respective properties

Investor Relations leads of OUE C-REIT and is responsible for driving the implementation of sustainability initiatives and monitoring the Trust's sustainability targets. The Sustainability Task Force ("STF") comprising representatives from various departments, further facilitates the implementation of policies and initiatives and develops action plans in response to the Trust's sustainability targets.

## SUSTAINABILITY GOVERNANCE STRUCTURE



For more details and the latest information about sustainability at OUE C-REIT, please refer to the Trust's latest [Sustainability Report](#) and [Annual Report](#) for more information.

## 2. Green Financing Framework

The Green Financing Framework (“Framework”) sets out the governance and processes under which OUE C-REIT and its subsidiaries intend to enter into Green Finance Transactions (“GFTs”) to fund or refinance projects which will contribute to positive environmental and social impacts. Fundraising will include green bonds, loans, or any other debt-like instruments.

The Framework is prepared in accordance with the International Capital Markets Association (“ICMA”) Green Bond Principles (2021)<sup>3</sup>, ASEAN Green Bond Standards (2018)<sup>4</sup>, and the Loan Market Association (“LMA”), Asia Pacific Loan Market Association (“APLMA”), Loans Syndications and Trading Association (“LSTA”) Green Loan Principles (2023)<sup>5</sup> (collectively referred to as the “Principles”), and adopts the following key pillars:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

The GFTs may be in any currency, tenor or with other terms and conditions including covenants, to reflect the financing strategy of the Trust as well as the outcome of the commercial discussions between the Trust and its financiers.

### 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 recognised 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 OUE C-REIT’s sustainability objectives and strategies.

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<sup>3</sup><https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

<sup>4</sup><https://www.theacmf.org/initiatives/sustainable-finance/asean-green-bond-standards>

<sup>5</sup><https://www.lsta.org/content/green-loan-principles/>

### 2.1.1 Eligible Green Projects

Eligible Categories	Eligibility Criteria	Contributions to SDGs <sup>6</sup>
Green Buildings	<p>Investments and expenditures in buildings which meet or are expected to meet regional, national or internationally recognised green building standards or certifications, such as but not limited to:</p> <ul style="list-style-type: none"> <li>• Singapore BCA Green Mark – Gold and above</li> <li>• Leadership in Energy Environmental Design (LEED) – Gold and above</li> <li>• NABERS (National Australian Built Environment Rating System) Energy rating 5 star and above</li> <li>• Building Research Establishment Environmental Assessment Method (BREEAM) – Excellent and above</li> <li>• EDGE (all levels)</li> <li>• GREENSHIP – Gold and above</li> <li>• Any other green building certification that is equivalent of the above standards</li> </ul> <p><u>or</u></p> <p>Investments and expenditures in buildings that are or are expected to be within the top 15% best-performing buildings in the local market based on absolute emissions or primary energy demand.</p>	 <p>Target 11.c</p>  <p>Target 13</p>
Energy Efficiency	<p>Investments and expenditures in projects that improve energy efficiency and reduce energy consumption in buildings and facilities, such as but not limited to:</p> <ul style="list-style-type: none"> <li>• Renovations or refurbishment of existing buildings</li> <li>• Installation/replacement of equipment in buildings such as LED lighting, smart metering, heating ventilation and air conditioning systems</li> </ul> <p>Investments and expenditures dedicated to the research and development of technologies, systems and methods aimed to improve energy efficiency of buildings.</p>	 <p>Target 7.3</p>  <p>Target 9.4</p>

<sup>6</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/mapping-to-the-sustainable-development-goals/>

<p>Pollution Prevention and Control</p>	<p>Investments and expenditures in projects that prevent and reduce waste and pollution, such as but not limited to:</p> <ul style="list-style-type: none"> <li>• Equipment and technologies for reducing resource consumption and to monitor and manage pollution</li> <li>• Implementing waste sorting and recycling</li> <li>• Projects to reuse wastewater (with minimal treatment), including but not limited to irrigation for landscaping, indoor uses such as toilet flushing</li> <li>• Enforcement of dust control and noise reduction, during construction and/ or operation of buildings</li> </ul>	 <p>Target 11.6</p>  <p>Target 12.4/12.5</p>
<p>Sustainable Water Management</p>	<p>Investments and expenditures in projects to improve water efficiency</p>	 <p>Target SDG 6</p>  <p>Target SDG 11.5</p>
<p>Renewable Energy</p>	<p>Investments and expenditures in renewable energy generation, transmission, and storage projects and related infrastructure, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Solar photovoltaic</li> <li>• Wind</li> </ul> <p>Expenditures from sourcing of renewable energy through project-tied power purchase agreements.</p>	 <p>Target 7.2/7.a</p>  <p>Target 9.1</p>

<p>Environmentally Sustainable Management of Living Natural Resources and Land Use</p>	<p>Investments and expenditures in greening of landscapes and preservation or restoration of natural landscapes, such as but not limited to:</p> <ul style="list-style-type: none"> <li>• Creating and enhancing urban green space</li> </ul>	 <p>Target 11.7/11.a</p>  <p>Target 15</p>
<p>Clean Transportation</p>	<p>Investments and expenditures in electric vehicles and related infrastructure, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Installation of charging facilities for electric vehicles</li> <li>• Procurement of electric vehicles</li> </ul>	 <p>Target 11.2</p>

**2.1.2 Exclusion Criteria**

In any case, eligible assets/projects will exclude the type of activities listed below<sup>7</sup>:

- Fossil fuel, fossil fuel electric power generation projects, and energy efficiency improvement projects for fossil fuel-based electric power generation
- Vehicles powered through fossil fuel combustion
- Non-certified sustainable palm oil
- Nuclear energy
- Lethal defence goods
- Weaponry
- Gambling
- Online gaming and equivalent enterprises
- Adult entertainment and related facilities
- High interest rate lending, including payday loans, pawn shops
- Capturing, trading, using and/or consumption of endangered or critically endangered animals, fungi and plant species
- Alcoholic beverages
- Tobacco products
- Conflict minerals
- Activities or projects associated with child labour or forced labour

Furthermore, it is intended that eligible assets/projects shall adhere to internationally recognised principles and guidelines, namely the UN Guiding Principles on Business and Human Rights, as well as applicable national laws and regulations in their respective jurisdictions.

<sup>7</sup> For the avoidance of doubt, the Exclusion Criteria only applies to the activities of OUE C-REIT and does not extend to the activities of the tenants at OUE C-REIT’s properties.

## **2.2 Process for Project Evaluation and Selection**

Project evaluation and selection is a key process in ensuring that the green projects financed by the GFTs meet the Eligibility Criteria set out in the Framework.

Under the Framework, Eligible Green Projects are identified, selected and approved as described in the process below:

The Finance Team will review and select Eligible Green Project(s) according to the criteria outlined in section 2.1.1 and section 2.1.2. They may also consult with other internal organisations including OUE C-REIT's Sustainability Steering Committee and Sustainability Task Force for further guidance and support. The Eligible Green Project list will be submitted for the Green Finance Committee's approval.

The Green Finance Committee comprises the Chief Executive Officer and Chief Financial Officer who are both members of OUE C-REIT's Sustainability Committee which is chaired by the Chief Executive Officer.

The Green Finance Committee will ensure that the approved Eligible Green Projects are in line with the Framework.

In addition, the Green Finance Committee will be responsible for approving any future updates of the Framework, including any expansion of the Eligibility Criteria. Any changes to the Framework will be approved by the Board and published on OUE C-REIT's website.

The Finance Team will regularly review the eligibility of existing identified projects. Should a project be considered by the Finance Team to no longer be meeting the criteria detailed above, projects can be removed and/or substituted on a best-efforts basis upon obtaining approval from the Green Finance Committee, to ensure the full amount of proceeds are allocated to eligible projects.

## **2.3 Management of Proceeds**

The proceeds from each GFT instrument issued will be managed by the Finance Team with oversight from the Green Finance Committee. OUE C-REIT will track the allocation of proceeds to eligible projects within its internal management system including descriptions of the projects, the regions in which the projects are located, and the amount of proceeds allocated to the projects.

The proceeds of each GFT instrument can be used both for the financing and/or refinancing of eligible projects. If all or a proportion of the proceeds are used for refinancing, OUE C-REIT will provide an estimate of the share of financing versus refinancing. OUE C-REIT will establish a look-back period of 36 months for operating expenditures.

Pending allocation, net proceeds from the sale of the GFT instruments may be invested in money market instruments with good market liquidity or used to repay existing borrowings within the Trust, subject to exclusion criteria.

OUE C-REIT will continuously monitor the allocation of projects, and in the case where existing projects no longer meet the eligibility criteria, OUR C-REIT commits to replace such projects with new projects that are eligible.

## **2.4 Reporting**

OUE C-REIT is committed to transparent reporting of its sustainability efforts; it has been issuing an annual sustainability report since 2017, and relevant environmental data can be found in the annual reports published here – <https://www.ouect.com>

For Green Loans, upon request, OUE C-REIT shall provide the information below to Green Loan Lenders (provided that OUE C-REIT is deemed to have provided 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, OUE C-REIT will disclose the information such as net proceeds of its GFTs in its Sustainability Report or on its website (<https://www.ouect.com/green-financing-framework.html>). Such information will be provided on an annual basis until all the net proceeds have been allocated.

The reporting will provide the following information:

### **a) Summary**

A list of all GFTs executed in the reporting period and outstanding as of 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, etc.

### **b) Allocation Reporting**

- Allocation amount by eligible project category (clearly indicating the SDG(s) of which such allocation supports)
- Allocation amount by geographical distribution
- Proportion between financing and refinancing
- Project examples, subject to confidentiality
- Amount of unallocated proceeds and its temporary treatment

**c) Impact Reporting**

Where possible and subject to data availability and confidentiality, reporting of environmental and/or social impact of the projects using relevant indicators as suggested in the ICMA Harmonized Framework for Impact Reporting:

Eligible Categories	Example of Impact Indicators
Green Buildings	<ul style="list-style-type: none"> <li>• Type/Number of green building certifications obtained</li> <li>• Total floor area of certified green buildings (sq. ft.)</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>• Annual energy savings in (kWh for electricity) (GJ for other energy)</li> <li>• Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub> equivalent)</li> </ul>
Pollution Prevention and Control	<ul style="list-style-type: none"> <li>• Waste reduced/avoided (tonnes)</li> <li>• Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub> equivalent)</li> </ul>
Sustainable Water Management	<ul style="list-style-type: none"> <li>• Annual percentage reduction of water consumption (%)</li> </ul>
Renewable Energy	<ul style="list-style-type: none"> <li>• Annual renewable energy generation (MWh for electricity) (GJ for other energy)</li> <li>• Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub> equivalent)</li> </ul>
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> <li>• Area of green landscape conserved/enhanced/created in km<sup>2</sup></li> </ul>
Clean Transportation	<ul style="list-style-type: none"> <li>• Number of electric vehicles/charging stations built</li> <li>• Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub> equivalent)</li> </ul>

### 3. External Review

OUE C-REIT has engaged Sustainable Fitch to provide a Second Party Opinion to assess and confirm that the Framework is in line with relevant ICMA, LMA, APLMA, LSTA and ACMF principles and guidelines. The Second Party Opinion is published on OUE C-REIT's [website](#).

OUE C-REIT commits to engage an independent third party to conduct post-issuance verification on the allocation of proceeds and impact reporting.

#### 3.1 Amendments to the Framework

OUE C-REIT will review this Framework on a regular basis, including its alignment to updated versions of the Principles as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature<sup>8</sup>, will be subject to the prior approval of the Trust and a credible external reviewer. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer. The updated Framework, if any, will be published on the Trust's website and will replace this Framework.

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<sup>8</sup> Updates affecting the key pillars as stated in the Framework, such as Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, Reporting, and External Review.