

Frasers Logistics & Commercial Trust

Sustainable Finance Framework

1. Introduction

About Frasers Logistics & Commercial Trust

Frasers Logistics & Commercial Trust (“**FLCT**” or the “**REIT**”) is a real estate investment trust sponsored by Frasers Property Limited (“**Frasers Property**”) with a portfolio comprising 103 industrial and commercial properties worth approximately S\$6.8 billion¹ across five major developed markets – Australia, Germany, Singapore, the United Kingdom and the Netherlands.

FLCT was listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 20 June 2016 as Frasers Logistics & Industrial Trust and was subsequently renamed Frasers Logistics & Commercial Trust on 29 April 2020 following the completion of a merger with Frasers Commercial Trust (“**FACT**”). FLCT’s investment strategy is to invest in a diversified portfolio of income-producing properties used predominantly for logistics or industrial purposes located globally, or commercial purposes (comprising primarily CBD office space) or business park purposes (comprising primarily non-CBD office space and/or research and development space) located in the Asia-Pacific region or in Europe (including the United Kingdom).

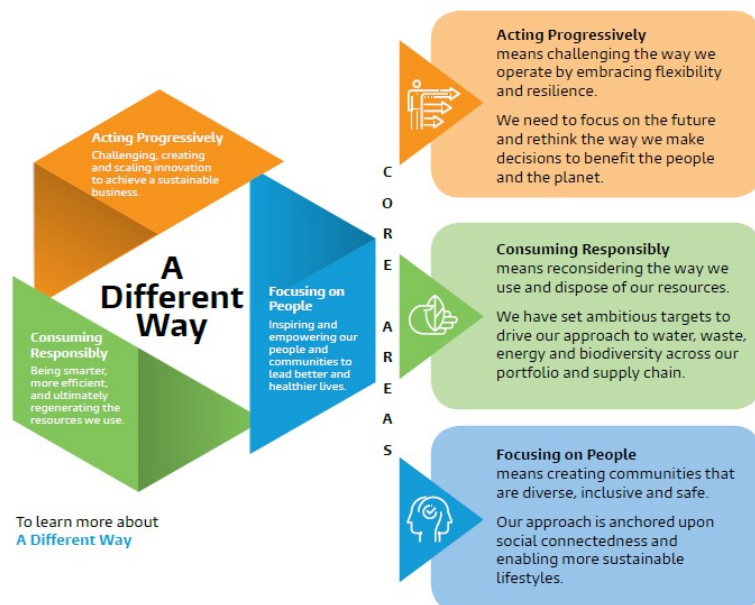
FLCT is managed by Frasers Logistics & Commercial Asset Management Pte. Ltd. (formerly known as Frasers Logistics & Industrial Asset Management Pte. Ltd.), a company incorporated in Singapore (Reg. No.: 201528178Z), in its capacity as the manager of the FLCT (the “**FLCT Manager**”), a subsidiary of Frasers Property.

Frasers Property (together with its subsidiaries, the “**Group**”), is a multi-national company that develops, owns and manages a diverse, integrated portfolio of properties. Listed on the Mainboard of the SGX-ST and headquartered in Singapore, the Group has total assets of approximately S\$39.2 billion as at 31 March 2021. Frasers Property’s assets range from residential, retail, commercial & business parks, to logistics & industrial in Southeast Asia, Australia, Europe and China. Its well-established hospitality business owns and/or operates serviced apartments and hotels in over 70 cities and 20 countries across Asia, Australia, Europe, the Middle East and Africa. The Group is unified by its commitment to deliver enriching and memorable experiences to customers and stakeholders, leveraging its knowledge and capabilities from across markets and property sectors, to deliver value in its multiple asset classes.

Sustainability Approach at FLCT

FLCT has committed to achieve a net zero carbon status by 2030, in line with Frasers Property’s ambition to be net zero carbon as an organisation. FLCT has developed a work plan to realise our commitment through the various focus areas within the strategy, ‘*A Different Way*’. ‘*A Different Way*’ provides the overarching strategy that drives FLCT’s approach through three focus areas – Acting Progressively, Consuming Responsibly and Focusing on People. FLCT recognises and understands that sustainability is more than just managing risks. Sustainability provides opportunities to enhance our resilience, provide better customer performance and future-proof our business for the long-term.

¹ Based on portfolio value reported as at 31 March 2021 and adjusted to include six properties in Germany, the Netherlands and the UK acquired by FLCT in June 2021. The S\$ values are based on exchange rate of A\$1:S\$1.0221, €1:1.56866 and £1: S\$1.8537 as at 31 March 2021. Amount excludes the recognition of right-of-use of assets upon the adoption of FRS 116 Leases with effect from 1 October 2019.



To ensure that FLCT continues to create value for our stakeholders in the long-term, the REIT makes sound investments to strengthen the sustainability attributes of our portfolio to stay ahead within the industry. FLCT has set ambitious targets to achieve at least an average 4-star Green Star Performance portfolio for all of its logistics and industrial portfolio by 2021 and to achieve green certification for at least 80% of its commercial portfolio by FY2024. In Singapore, Cross Street Exchange is certified Green Mark Gold^{PLUS} by the Singapore Building Construction Authority (“**BCA**”) and in Australia, Caroline Chisholm Centre and 357 Collins Street achieved at least 5.0-star Energy base building rating while Central Park achieved 4.5-star by the National Australian Built Environment Rating System (“**NABERS**”).

In the effort to become a net-zero carbon organisation, FLCT has started the process to inventorise its Group-wide carbon emissions and develop a roadmap towards 2030 that is aligned with Science Based Targets. FLCT adopts sustainable practices across our properties – from design through to operations and leverages on technological solutions to achieve our objectives. As at 30 September 2020, 87% of FLCT’s investment assets has been retrofitted with high efficiency lighting. Furthermore, FLCT has achieved the target of installing a minimum 100kW of solar panels on 40% of our industrial properties, generating 2.5GWh of renewable energy from on-site solar photovoltaics in the industrial properties during FY2020, and is planning to continue installing more solar panels. FLCT is aiming to provide onsite renewable energy for 60% of our Australian investment assets by 2021.

Our efforts were once again recognised as FLCT was named ‘Industrial - Global Listed Sector Leader’ in 2020 by GRESB (Global Real Estate Sustainability Benchmark)² for the third consecutive year. Its properties achieved an overall score of 87 out of 100, which included the performance of FLCT’s logistics and industrial portfolio spanning Australia, Germany and the Netherlands. With an expanded portfolio, we endeavour to continue to achieve the same results in the coming years.

ACTING PROGRESSIVELY

GRESB
REAL ESTATE
Sector Leader 2020

FLT achieved **Industrial - Global Listed Sector Leader status with a 5 Star rating**

FCOT ranked **Top-5 in Asia-Pacific in Diversified Office/Industrial with a 4 Star rating**

NABERS

First premium office building in Perth, Australia to attain a **5.0 Star NABERS** Energy base building rating

Three employees of the REIT Manager are trained as **Innovation Champions**

² Excluding FCOT portfolio

2. Sustainable Finance Framework

Fraser's Property was one of the first movers in sustainable financing in Singapore and the wider Asia Pacific region. FLCT is committed to developing sustainable financing practices that are in line with international standards and guidelines and intends to actively leverage on financing opportunities to achieve our sustainability goals. During FY2020, FLCT established a sustainability-linked loan framework and successfully secured a total of S\$660 million of sustainability-linked credit facilities. FLCT aspires to continue structuring new borrowings in the form of sustainability linked-loans/bonds or green or sustainability loans/bonds in FY2021.

FLCT decided to establish a Sustainable Finance Framework (the "**Framework**") in order to align our 2030 net zero carbon target and support our sustainability initiatives through the funding programme. Under the Framework, FLCT and its subsidiaries can enter into multiple Sustainable Finance Transactions ("**SFTs**").

The SFTs may include:

- Debt instruments that finance a portfolio of green or sustainable projects, including but not limited to Green Bonds, Sustainability Bonds, Green Loans, Sustainability Loans; and
- Debt instruments of which the funding cost is linked to the REIT's sustainability targets, including but not limited to, Sustainability-Linked Bonds and Sustainability-Linked Loans.

This Framework is designed to provide an overarching criteria and guidelines for the REIT and is developed in accordance with the relevant international principles and guidelines listed below (collectively the "**Principles**"), to ensure that the SFTs meet the market best practices and demonstrate robust management of its SFTs.

- Green Bond Principles ("**GBP**") 2021, Sustainability Bond Guidelines ("**SBG**") 2021 and Sustainability Linked Bond Principles ("**SLBP**") 2020 by the International Capital Market Association ("**ICMA**");
- Green Loan Principles ("**GLP**") 2021 and Sustainability Linked Loan Principles ("**SLLP**") 2021 by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association.

For the avoidance of doubt, the SFTs may be in any currency, tenor, or with other terms and conditions, including covenants, to reflect the REIT's financing strategy.

2.1 Framework to finance a portfolio of green or sustainable projects

The first part of the Framework will be used for debt instruments that finance a portfolio of green or sustainable projects, including but not limited to, Green Bonds, Sustainability Bonds, Green Loans, and Sustainability Loans. Following the Principles, the Framework has below four core elements:

- I. Use of Proceeds
- II. Process for Project Evaluation and Selection
- III. Management of Proceeds
- IV. Reporting

I. Use of Proceeds

The net proceeds raised under this Framework will be used exclusively to finance or re-finance a portfolio of Sustainable Projects as defined below:

Green Buildings: expenses for a portfolio of existing or refurbished buildings that has achieved at least 4 Star rating from the latest available GRESB Benchmark Report.

For the avoidance of doubt, the scope of GRESB Real Estate Assessment (the "**Assessment**") covers all the assets either wholly or partially owned by FLCT.

The Eligible Sustainable Projects shall be selected and evaluated following the REIT's sustainability goals and ESG policies as stated in Section II. Process for Project Evaluation and Selection.

Eligibility Criteria

The GRESB Real Estate Assessment generates two benchmarks: the GRESB Real Estate Benchmark and the GRESB Development Benchmark. Given that the majority of its portfolio is operating assets, only the GRESB Real Estate Benchmark is relevant to FLCT. The GRESB Real Estate Benchmark consists of participants completing both the Management and Performance Components.

- Management Component - Measures the entity's strategy and leadership management, policies and processes, risk management, and stakeholder engagement approach, comprising information collected at the organisational level.
- Performance Component - Measures the entity's asset portfolio performance, comprising of information collected at the asset and at the portfolio level, including environmental indicators such as Energy, Greenhouse Gas ("**GHG**") and Water as well as social aspects related to Tenants and Community.

The GRESB rating is based on the score and the quintile position an entity occupies relative to all entities participating in the Assessment, with annual calibration of the model. It is calculated relative to the global performance of all reporting entities - property type and geography are not taken into account. If the entity is placed in the top 20%, it will attain a GRESB 5-star rating.

In addition to its focus on environmental impacts, the GRESB Real Estate Assessment also includes a health and well-being evaluation of a real estate company's internal approach to promoting health for its employees as well as its external approach to promoting health for tenants and communities through real estate fund management. As creators of the built environment, the real estate industry is well-positioned to address key health determinants in their approach to real estate development and management.

II. Process for Project Evaluation and Selection

Project evaluation and selection is a key process ensuring that the financed projects meet the eligibility criteria set out in this Framework. The treasury team will be responsible for selecting a portfolio of Eligible Sustainable Projects ("**Eligible Sustainable Project Portfolio**") to be financed by the net proceeds from the SFTs in accordance with the Framework. It may consult internal or external experts as relevant to assess eligibility criteria, and the final projects selection will be reviewed and approved by senior management.

In an unlikely event that FLCT does not maintain minimum 4 Star GRESB status during the life any SFT, the FLCT Manager will develop a separate green or sustainable project list to ensure FLCT has sufficient green or sustainable assets matching the total SFT outstanding amount.

III. Management of Proceeds

FLCT intends to allocate the net proceeds from the SFTs to an Eligible Sustainable Project Portfolio, selected in accordance with the eligibility criteria and evaluation and selection process presented above. As long as the SFTs are outstanding, the treasury team will manage the Eligible Sustainable Project Portfolio through its rigorous internal system, and periodically monitor the balance of the proceeds. The REIT will strive to maintain a level of allocation for the Eligible Sustainable Project Portfolio which matches or exceeds the balance of net proceeds from its outstanding SFTs.

Any unallocated amount will be held in cash or it will be invested in cash equivalents according to the treasury department's general liquidity guidelines.

IV. Reporting

FLCT commits to transparent reporting on its sustainability efforts and the allocation of SFTs.

For Green or Sustainability Bonds, FLCT will ensure that information on proceed allocation is available on FLCT's website and updated annually. FLCT may also share, where applicable and feasible, information on environmental impacts of its portfolio.

For Green or Sustainability Loans, FLCT will also make the information readily available to its lenders a report upon request (provided that it is deemed to have provided the information if such information is available on its website).

The annual report may include the below information:

a) Allocation Reporting

- The total amount of proceeds allocated to the Eligible Sustainable Project Portfolio
- The percentage of the SFT proceeds that is for new financing vs. refinancing
- Examples of projects from the Eligible Sustainable Project Portfolio
- The balance of unallocated amount, if any

b) Impact Reporting

Where relevant and feasible, the REIT may provide the following environmental indicators of its portfolios:

- Updated rating of GRESB Benchmark Report
- Number or percentage of buildings with Green Building Certificates
- Energy Consumption (MWh)
- GHG emission (tonnes)

2.2 Framework for Sustainability-linked Debt Instruments

This second part of the Framework is prepared to provide guidelines for Sustainability-Linked Bonds and Loans. For the avoidance of doubt, proceeds from the Sustainability-Linked Bonds and Loans are not exclusively for Eligible Sustainable Projects and can be used to finance general corporate purpose. Instead of determining specific uses of proceeds, sustainability-linked debt instruments look to improve FLCT's sustainability profile by aligning financing terms to the REIT's performance against the relevant predetermined sustainability performance targets.

This part of the Framework is presented in accordance with the Sustainability Linked Loan Principles 2021 and the Sustainability Linked Bond Principles 2020 with the following five core components:

- I. Selection of Key Performance Indicators ("KPIs")
- II. Calibration of Sustainability Performance Targets ("SPTs")
- III. Loan / Bond Characteristics
- IV. Reporting
- V. Verification

I. Selection of Key Performance Indicators

FLCT has established *A Different Way* as a core sustainability strategy since 2016 to target the delivery of Corporate Social Responsibility ("CSR") value to customers and to represent leadership in this field. This strategy defines a whole new way of thinking and working that helps FLCT to focus the growth of its business in ways beneficial to its people, customers, and the environment. It also helps FLCT to deliver better outcomes and achieve its goal of making a real difference in sustainability agenda.

It comprises three focus areas, namely acting progressively, consuming responsibly and focusing on people. *A Different Way* sets out the overarching basis of our sustainability vision, with each focus area underpinned by goals and targets, which are regularly reviewed, to drive measurable progress. Please refer to Section 1. Introduction for more details.

FLCT has adopted the GRESB rating to measure the sustainability performance of its whole portfolio on an annual basis. In line with that, FLCT has chosen the following KPI as a key measure of the sustainability performance of its portfolio:

- Overall star rating per GRESB Real Estate Assessment Report

The GRESB Real Estate Assessment (the “**Assessment**”) is a globally recognised standard for Environmental, Social and Governance (“**ESG**”) benchmarking and reporting for listed property companies, private property funds, developers and investors that invest directly in real estate. The Assessment evaluates performance against three ESG Components - Management, Performance, and Development. The methodology is consistent across different regions, investment vehicles and property types, and aligns with international reporting frameworks, such as the Task Force on Climate-related Financial Disclosure (“**TCFD**”), the Global Reporting Initiative (“**GRI**”) and the Principles for Responsible Investment (“**PRI**”).

If and where relevant, FLCT may also select additional KPIs such as:

- Number or percentage in GFA of buildings with pre-defined green building certificates
- Energy consumption (MWh) for the investment properties
- GHG emission (tonnes) for the investment properties
- Water consumption (m3) for the investment properties
- Any other environmental or social metrics that FLCT deems material to its business.

II. Calibration of Sustainability Performance Targets

FLCT uses the sustainability metrics described below to effectively manage its sustainability approach and measure its achievement on an annual basis. FLCT believes that the selected SPTs are ambitious, material and demonstrates its sustainability leadership. FLCT will target to achieve the following:

- Attain at least 4-star rating from the latest available GRESB Standing Investments Benchmark Report– Standing Investments by 2021

2020 marks the fourth year of FLCT’s participation in the annual GRESB Real Estate Assessment. The 2020 GRESB results recognised FLCT as the Industrial - Global Listed Sector Leader with a score of 87 and 5-star rating (excluding commercial properties). Identifying an external rating based on relative performance of FLCT’s industry peers demonstrates FLCT’s ambition and confidence in leading sustainability efforts in the sector, and this will require FLCT’s continuous efforts in improving its overall ESG performances every year, while meeting evolving requirements from the GRESB Real Estate Assessment.

III. Loan / Bond Characteristics

At the inception of each Sustainability-Linked Loan (“**SLL**”) or Sustainability-Linked Bond (“**SLB**”) issuance, FLCT and the arranging banks will agree on the pricing adjustment mechanism, including but not limited to the target year to achieve the SPTs, reporting format and commercial terms/ potential incentives in the event the SPTs are achieved. The margin or coupon adjustment mechanism will be duly documented in full details in the relevant loan finance document or bond documentation.

The perimeter or methodology of the KPIs, or calibration of the SPTs may change if there is a material change to FLCT’s business. Any such change will be communicated to the lenders and the bond investors in a timely manner.

IV. Reporting

At the inception of each SLL or SLB issuance, FLCT and the arranging banks will agree on reporting timelines, frequency, and format of reporting on the performance of the selected KPI. FLCT shall use reasonable endeavours to supply the lenders and the bond investors with the relevant GRESB Real Estate Assessment Report as soon as reasonably practicable.

We will publish or keep readily available and easily accessible on our website periodically in case for any period relevant for assessing the trigger of the SPT performance leading to potential adjustments, such as a margin adjustment of any SLL or a change in the coupon payment of any of the SLB.

A verification assurance report relative to the SPT outlining the performance of the KPI against the SPT (e.g., assurance report related to the GRESB report); and any other relevant information which may enable investors to monitor the progress of the selected KPI.

V. Verification

FLCT aims to ensure accurate representation of our performance against the SPTs and intends to conduct external reviews as and when necessary. For example, for the 2019 GRESB Real Estate Assessment, FLCT engaged an external reviewer to undertake a limited assurance engagement on per submission for the following performance indicators:

- Energy – 2019 Absolute annual consumption (MWh) (Fuels, Electricity)
- GHG Emissions – 2019 Absolute annual consumption (tonnes) (Total Scope 3)
- Water Use – 2019 Absolute consumption (m³)
- Waste management - 2019 Landfill and Diverted (%)

Additionally, GRESB also conducts its own validations to check on the existence, accuracy and logic of data submitted through the Assessment. The validation process includes both automatic and manual validations; for the latter, GRESB engages a third-party service provider to perform independent assessments.

3. External Review of the Framework

FLCT shall ensure that appropriate knowledge and expertise is developed within the organisation to confirm the alignment of the Framework with the Principles. FLCT will also engage an external reviewer to assess the Framework as necessary.

FLCT has engaged Deloitte to provide a limited assurance engagement on this Framework as at 7 July 2021, where the overarching criteria and guidelines of the Framework are in accordance with the Principles.