

CapitaLand Investment Climate Resilience Report

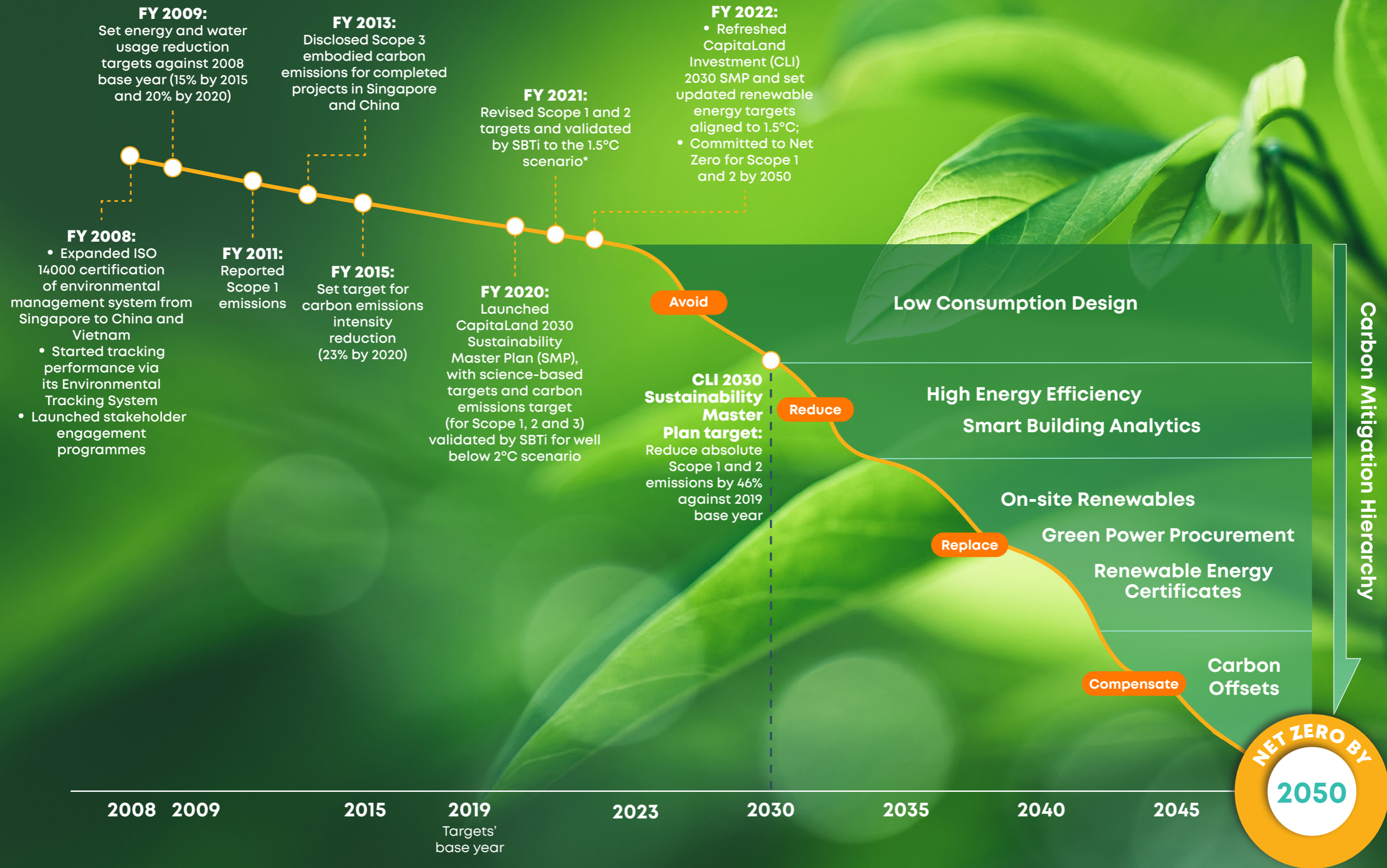
2023

(in alignment with recommendations
of the Task Force on Climate-related
Financial Disclosures)

**CAPITALAND
INVESTMENT
LIMITED**



CapitaLand Investment's Roadmap to Net Zero



* SBTi-validated target for Scope 3 capital goods emissions is at the well below 2°C scenario

Note: The graph trajectory is for illustration purposes only, as the path to Net Zero is not expected to be linear

About Us

Sustainability is at the core of everything we do.

Headquartered and listed in Singapore, CapitaLand Investment Limited (CLI) is a leading global real asset manager with a strong Asia foothold. As at 31 December 2023, CLI had S\$134 billion of assets under management as well as nearly S\$100 billion of funds under management (FUM) held via six listed real estate investment trusts and business trusts and more than 30 private vehicles across Asia Pacific, Europe and the United States. Its diversified real estate asset classes cover retail, office, lodging, business parks, industrial, logistics, self-storage and data centres.

CLI aims to scale its FUM and fee-related earnings through fund management, lodging management and commercial management, and maintain effective capital management. As the investment management arm of CapitaLand Group, CLI has access to the development capabilities of and pipeline investment opportunities from CapitaLand's development arm.

As a responsible company, CLI places sustainability at the core of what it does and has committed to achieve Net Zero carbon emissions for Scope 1 and 2 by 2050. CLI contributes to the environmental and social well-being of the communities where it operates, as it delivers long-term economic value to its stakeholders.

S\$134 billion

of real estate assets under management

Nearly

S\$100 billion

of real estate funds under management

6

listed real estate investment trusts and business trusts

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About this Report

CapitaLand Investment Limited (CLI) and its listed real estate investment trusts' (REITs) and business trusts' objectives are to achieve alignment with the Task Force on Climate-related Financial Disclosures (TCFD) pertaining to relevant stock exchange requirements, particularly SGX-ST Rule 711b(aa), as well as regulatory and stakeholder expectations. This is a timely response to Monetary Authority of Singapore (MAS) guidelines on Environment Risk Management¹, effective from June 2022, which are applicable to 5 of the 6 CLI REITs and business trusts which are listed on SGX², as well as the updated Singapore Exchange (SGX) reporting requirements on Climate disclosure³. This report takes into consideration the finalised recommendations on mandatory climate reporting and assurance from the Sustainability Reporting Advisory Committee (SRAC).

Disclaimer

The purpose of this report is to provide climate-related disclosures which contain information related to climate risks and opportunities, consistent with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. The information and opinions contained in this report are provided as of the date they are made and subject to change.

This report contains forward-looking statements and statements of opinion. All statements, other than statements of historical fact, including without limitation, statements regarding the plans, strategies and objectives of management in relation to climate and CLI's future performance, are forward-looking statements. Forward-looking statements are predictive in character and involve subjective judgement, assumptions and analysis, and can be subject to potentially significant risks, uncertainties and other factors, many of which are outside the control of, and are unknown to, CLI. Other unpredictable or unknown factors not discussed in this report could also have material adverse effects on forward-looking statements. CLI does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. Users of this report are cautioned not to place undue reliance on such statements, particularly in light of the long-term horizon which this report discusses and the inherent uncertainty in possible policy, market and technological developments in the future. CLI will continue to publish relevant climate-related disclosures in its future annual Global Sustainability Reports and users of this report are advised to check its website for and refer to the latest published report.

While CLI has prepared the statements in good faith, there are also limitations with respect to climate scenario analysis derived from a third-party platform. The degree of potential risk identified in this platform does not consider mitigation or adaptation strategies that may be in place or are being implemented at the portfolio company or specific asset. It also does not consider planned mitigation or adaptation strategies at the country level. The climate scenario analysis in this report was reviewed with and augmented by another third-party consultant. Scenario analysis is not an indication of probable outcomes and relies on assumptions that may or may not prove to be correct or eventuate. Scenario analysis is a process for identifying and assessing the potential implications of a range of plausible future states under conditions of uncertainty. Scenarios are hypothetical constructs and not designed to deliver precise outcomes or forecasts. Additionally, scenarios are not warranted or guaranteed to be free from technical inaccuracies or omissions. Instead, scenario analysis provides a way for organisations to consider how the future might look if certain trends continue or certain conditions are met. In the case of climate change, for example, scenarios allow an organisation to explore and develop an understanding of how various combinations of climate-related risks, both transition and physical risks, may affect its businesses, strategies, and financial performance over time⁴.

While every effort was made to provide accurate and complete information, CLI does not represent or warrant that the information in this report is free from errors or omissions, or is complete. This report is not intended to be and should not be relied upon as advice to investors or potential investors. In particular, no representation or warranty is given as to the accuracy, likelihood of achievement or reasonableness of any forward-looking statements contained in this Statement or the assumptions on which they are based. Climate scenarios may change and third-party platform outputs may change and improve over time. Such material is, by its nature, subject to significant uncertainties and contingencies outside of CLI's control. Actual results, circumstances and developments may differ materially from those expressed or implied in this report.

1 MAS Environment Risk Management Guidelines in December 2020.

2 CapitaLand Integrated Commercial Trust, CapitaLand Ascendas REIT, CapitaLand Ascott Trust, CapitaLand China Trust and CapitaLand India Trust.

3 In December 2021, the Singapore Exchange announced a roadmap for issuers to provide climate-related disclosures based on recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). All issuers must provide climate reporting on a 'comply or explain' basis in their sustainability reports from the financial year (FY) commencing 2022. Climate reporting will subsequently be mandatory for issuers in the (i) financial, (ii) agriculture, food and forest products, and (iii) energy industries from FY 2023. The (iv) materials and buildings, and (v) transportation industries must do the same from FY 2024.

4 Pg 25, Recommendations of the Task Force on Climate-related Financial Disclosures.







About this Report

Background on CLI's Task Force on Climate-related Financial Disclosure (TCFD)⁵ Journey

Climate risks to the real estate sector are projected to increase in the coming years. MSCI anticipates that under default scenarios in the MSCI Real Estate Climate Value-at-Risk Model, properties from the MSCI Global Property Index within the APAC region may lose close to 2.5% in value from physical risks and transition risks⁶. Swiss Re estimates that global insured losses from severe storm events alone reached US\$35 billion in the first half of 2023⁷. The EY Global Corporate Reporting and Institutional Investor Survey in 2022 found that investors are calling for more comprehensive and articulate climate-related financial disclosures, which are critical in their decision-making. According to the report, 99% of investors seek companies' ESG disclosures to use as part of their investment decision-making⁸.

CapitaLand Investment (CLI) has been a supporter of the TCFD since the publishing of the first recommendations in 2017. In the same year, CLI provided its first disclosures against all four pillars of the TCFD in its FY 2016 Global Sustainability Report (GSR). Over the years, significant efforts have been made to improve the quality of disclosures.

In 2021, CLI piloted its first climate scenario analysis leveraging a third-party platform. A second climate scenario analysis using another third-party platform was conducted in 2022. Based on this work, CLI embarked on a group-wide project to update its TCFD disclosures in further alignment to the TCFD recommendations for CLI at the Group level and for its 6 REITs.

Parameters and scope defined for pilot group-wide climate scenario assessment studies		
Parameter	First pilot (2021)	Second pilot (2022)
Climate Scenarios		
 Physical Risks	Representative Concentration Pathway (RCP) 4.5 scenario ⁹	RCP 8.5 scenario
 Transition Risks	 1.5°C scenario	 2°C scenario
 Time Horizon	<ul style="list-style-type: none"> ▶ 2050 and 2100 for physical risks ▶ 2030 for transition risks 	<ul style="list-style-type: none"> ▶ Present – 2030 ▶ 2030 – 2050 ▶ 2050 – 2100
 Locations (This includes portfolios of CLI REITs and business trusts*)	<ul style="list-style-type: none"> ▶ More than 200 properties in 125 cities across more than 20 countries including: Singapore, China, India, Australia, Europe and the United States 	<ul style="list-style-type: none"> ▶ Close to 50 properties in 19 countries
Base Year	▶ 2019**	▶ 2019**

Please refer to Chapter 3: Strategy for the parameters and scope defined for CLI's third comprehensive climate scenario analysis

5 The Financial Stability Board (FSB) set up the TCFD in 2015 to address concerns around insufficient disclosure of climate-related risks and opportunities. Following the publication of IFRS S1 and IFRS S2, and at the FSB's request, the TCFD itself is now being subsumed into the ISSB with the standard-setter taking over the monitoring of the progress on companies' climate-related disclosures from 2024.

6 Five Misconceptions About Climate-Change Risk in Real Estate – MSCI, 25 February 2022.

7 Severe thunderstorms account for up to 70% of all insured natural catastrophe losses in the first half of 2023, Swiss Re Institute estimates, 9 August 2023.

8 "How can corporate reporting bridge the ESG trust gap?" EY Global Corporate Reporting and Institutional Investor Survey, November 2022.

9 A Representative Concentration Pathway (RCP) is a greenhouse gas concentration (not emissions) trajectory adopted by the IPCC (Intergovernmental Panel on Climate Change). RCP 4.5 is described by the IPCC as an intermediate scenario.

* Climate scenario studies conducted for each CLI REIT and business trust separately.

** This is tied to CapitaLand's carbon emissions target which is approved by Science Based Targets Initiative (SBTi).

Governance

Structure



The CLI Board (the Board) considers sustainability issues as part of its strategic formulation, confirms the material ESG factors and oversees the management and monitoring of the material ESG factors.

The Board sets CLI's risk appetite, which determines the nature and extent of material risks that CLI is willing to take to achieve its strategic and business objectives. As part of the material risk issues being highlighted, climate change has been identified as critical. The Board regularly reviews climate change risks as part of the CLI Enterprise Risk Management (ERM) Framework.

The Board is actively involved in discussions on climate-related initiatives. It is updated at least once a year at the quarterly or ad hoc Board meetings on relevant climate-related topics including the refreshing of CLI's 2030 Sustainability Master Plan (SMP), green capital expenditure plan and review to sustain green rating of the properties, performance metrics such as carbon emissions performance and progress on the carbon emissions reduction targets, as well as stakeholders' expectations, on climate-related topics. Environmental incidents, which may include climate-related damage or disruptions, are also reported to the Board. As Environment, Health and Safety (EHS) factors are considered during the impact assessment for asset investment evaluation process and strategy, they are presented to the Board where relevant.

CLI's groupwide sustainability management comes under the purview of a CLI Board Committee, the Strategy and Sustainability Committee (SSC). The CLI Strategy and Sustainability Committee, chaired by its Lead Independent Director, plays an active role in overseeing the Company's corporate and sustainability strategies and plans, and sets the tone at the top to ensure alignment of CLI's activities with its purpose and stakeholders' interests. The SSC is responsible for overseeing sustainability strategies and goals including providing guidance to management on ESG matters and monitoring progress against CLI's sustainability targets. This covers all sustainability issues – climate-related matters as well as social matters, including just transition.

Under CLI's executive compensation framework, the Group's business plans, including sustainable corporate strategies, are translated to both quantitative and qualitative performance targets and cascaded throughout the organisation. This would fall under the purview of a CLI Board committee – Executive Resource and Compensation Committee (ERCC), which will recommend to the Board a general framework of remuneration for the non-executive Directors and key management personnel of the Group, and the specific remuneration package for each key management personnel. The Board, assisted by the Risk Committee, approves the Group's risk appetite (risk tolerance) which determines the nature and extent of material risks the Group is willing to take to achieve its strategic objectives. The Board also regularly reviews the Group's risk profile, material risks and mitigation strategies, and ensures the adequacy and effectiveness of the risk management framework and policies. This includes climate change risks.

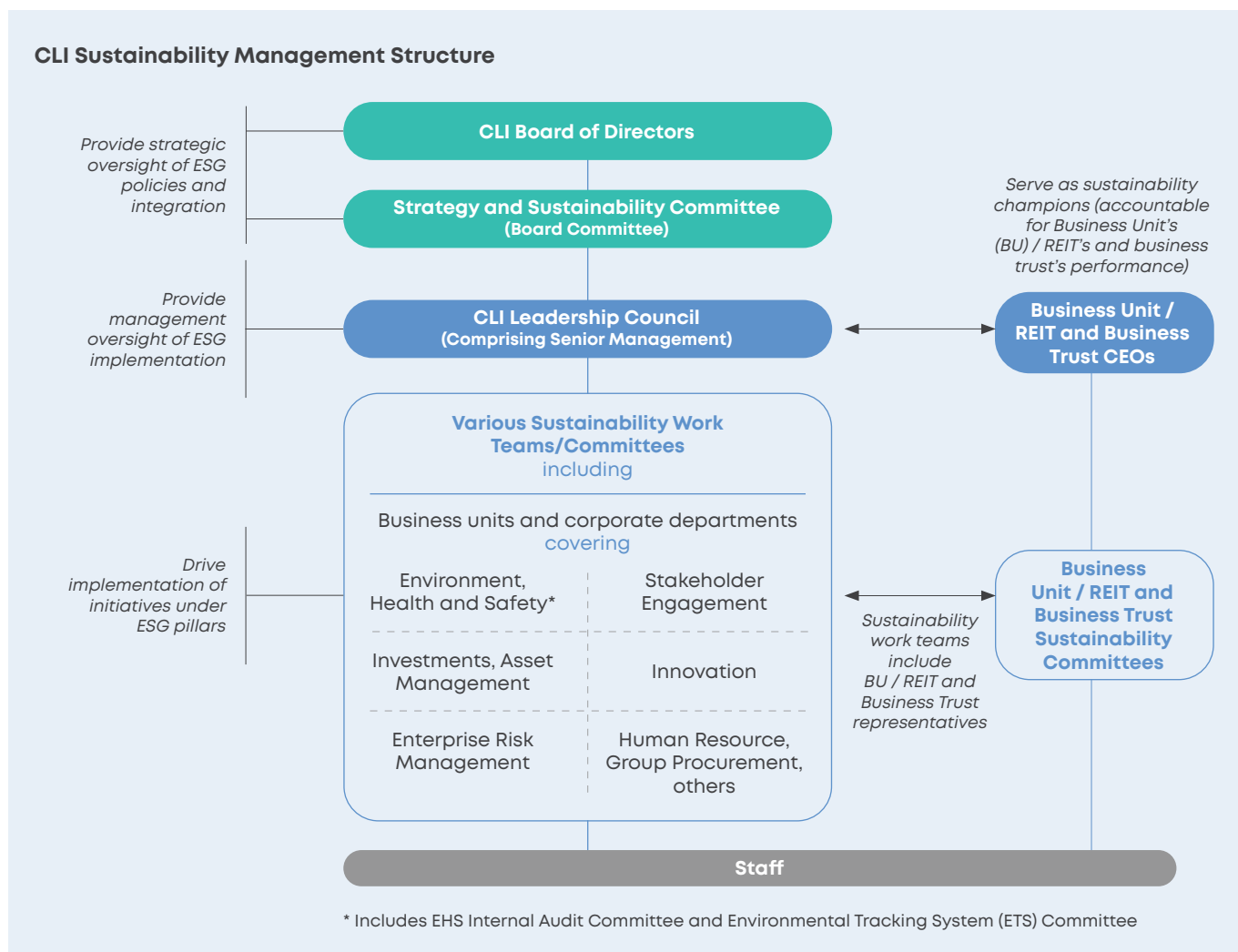
The CLI Strategy and Sustainability Committee (SSC), chaired by the Lead Independent Director, plays an active role in overseeing the Company's sustainability strategies and plans, and sets the tone at the top to ensure the alignment of CLI's activities with its purpose and stakeholders' interests.

Governance

The SSC is supported by the Group Sustainability Office and various work teams to drive continued progress and improvement in the areas of ESG. This governance is cascaded through the Leadership Council at senior management levels, to the various work teams that comprise representatives from CLI's business units and corporate functions. The CLI Leadership Council makes strategic resource allocation decisions and meets on a regular basis. The CLI Leadership Council comprises the Group Chief Executive Officer (CEO), CEOs of the business units and key management officers of the corporate office. Please refer to the diagram below for more details on CLI's Sustainability Management Structure.

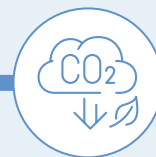
CLI's Group CEO is responsible for the company's climate change-related targets. A key objective of CLI's senior management is to transition CLI to a low-carbon business that is aligned with climate science and to build a resilient and resource-efficient portfolio. As part of these efforts, members of CLI's senior management and relevant stakeholders will undergo appropriate briefings and training to further build capacity with respect to climate-related risk and opportunity management. The frequency and content of these capacity-building training sessions will be regularly reviewed to incorporate emerging issues relating to environmental risk management.

A key objective of CLI's senior management is to transition CLI to a low-carbon business that is aligned with climate science and to build a resilient and resource-efficient portfolio.



In this report, CLI leveraged the TCFD guidance on Climate Transition Plan (CTP)¹⁰ to provide more specific details on how it is aligning its business with climate transition. CTP is likely to become more relevant in relation to the upcoming ISSB reporting requirements and external stakeholders. CLI has included relevant CTP elements in all four TCFD pillar areas.

10 Pg 38. Task Force on Climate-related Financial Disclosures Guidance on Metrics, Targets, and Transition Plans.



CLIMATE TRANSITION PLAN - GOVERNANCE

Board's oversight of decarbonisation and climate transition plan

CLI's decarbonisation plan was developed as part of its 2030 Sustainability Master Plan (SMP). This strategic segment was developed under specific oversight and approval from the Board, who through the CLI SSC, which is a Board level committee, provides oversight on climate-related matters. The Group CEO and the Leadership Council are the main drivers of this initiative at the CLI level and they are responsible for the performance and the achievement of targets.

The CLI Board is updated at least once a year at the quarterly or ad hoc Board meetings on the progress in implementing the CLI 2030 SMP. This would include progress on CLI's decarbonisation plan and any other climate-related topics. In 2022, these discussions include the green capital expenditure plan which is required to meet the CLI SMP and decarbonisation targets. These discussions demonstrate the inclusion of climate and decarbonisation considerations when planning annual budgets on CLI level. Finally, for an all-rounded management and tracking of this plan, performance against the decarbonisation targets as part of the wider CLI SMP targets, as well as the Balanced Scorecard targets are reported and discussed with Management and Board at least annually.

CLI has internally set sustainability and climate-specific performance metrics and targets which are linked to the remuneration policies for members of senior management. An example is the Balanced Scorecard (BSC) framework introduced in 2022 at the Group level, which includes both quantitative and qualitative targets relating to climate change topics such as carbon emissions reduction. Similarly, since 2021, carbon emissions intensity reduction was introduced as a performance measure in CLI's Performance Share Plan Awards which is generally granted to members of senior management for their efforts to achieve these targets.

CLI's mechanisms of gaining stakeholder feedback on its decarbonisation journey

CLI has regular stakeholder engagement with respect to sustainability issues, as presented in our Global Sustainability Report 2022. The Stakeholder Engagement section summarises the main stakeholders as well as communications channels. Feedback on our decarbonisation plan is mainly received through the following channels:

- ▶ Regular analyst and investor meetings (including the 2023 CLI Sustainability non-deal roadshow)
- ▶ Responses to sustainability surveys, and engaging ESG indices and data platforms
- ▶ Participation in relevant focus groups and/or panel discussions including with regulators
- ▶ Annual general meetings and half yearly financial results announcements
- ▶ Media releases and interviews
- ▶ Annual reports and Sustainability reports
- ▶ Company website

Board climate-specific skills and capacity building

The CLI Board is continuously upskilling with respect to sustainability and climate-related issues. All CLI Board members have undergone the prescribed SGX ESG training for 2023. Furthermore, new CLI Board members are briefed on sustainability management at CLI. This onboarding process includes a briefing on the CLI decarbonisation plan, which forms part of the CLI 2030 SMP.

In 2023, additional briefings were conducted to prepare CLI Board, members of the SSC and senior management to better understand the climate scenario analysis, the choice of scenarios, the physical and transition risks and opportunities, as well as the mitigation and adaptation measures. Other briefing topics included the use of Renewable Energy Certificates (RECs) and carbon offsets in CLI's decarbonisation journey. CLI Board, SSC and senior management reviewed and discussed the outcomes of the latest climate scenario analysis, decarbonisation roadmap, and workplan. The regular upskilling activities for the Board and senior management are also augmented with external advice from specialists in the area of sustainability and climate.

 For more information on the Board's expertise and experience, please refer to the matrix presented in page 115 of CLI Annual Report 2022.

Strategy

Identification of Climate-related Risks

CLI has identified material ESG issues that have been deemed most relevant and significant to CLI's businesses, operations and stakeholders. The selection of these issues is guided by CLI's regular review, assessment and feedback process in relation to ESG topics. For more information, please refer to page 12 of CLI Global Sustainability Report 2022.

Climate change and emissions reduction are key ESG material issues identified as relevant and critical for CLI. This has been confirmed with this year's CLI ESG factors materiality review. Climate change risk has also been identified as a key risk as part of the Enterprise Risk Management (ERM) Framework, and includes both physical and transition risks. Physical risks include consideration of coastal and fluvial flooding, tropical cyclones, extreme cold, extreme heat and wildfire. These physical risks identified are largely in line with the key climate risks for the real estate sector as identified by the UN Environment Programme Finance Initiative¹¹.

Transition risks include potentially more stringent regulations, carbon price shifts, changes in electricity prices and increased expectations from customers and stakeholders.

Identified Climate-related Risks and Opportunities

CLI generally considers the short-term timeframe to be within 2-3 years, medium-term timeframe as until 2030, and long-term timeframe to be beyond 2030 in relation to the identification of climate-related risks and opportunities.

CLI's strategy to identify and address climate-related risks and opportunities spans all areas of the real estate life cycle, from the earliest stage of the investment process to design, procurement, construction, operations and redevelopment or divestment. These include the following measures at an asset and overall planning level:



All new investments into operational assets and development projects undergo an Environment, Health and Safety Impact Assessment (EHSIA) during due diligence to identify any environmental (including climate change) risks and opportunities related to the asset/project site and its surroundings. The assessment covers performance metrics such as energy efficiency, as well as physical and transition risk and opportunity considerations. For gaps identified during the impact assessment in relation to meeting the CLI 2030 SMP targets as well as identified physical and transition risks, additional capital expenditure would need to be indicated in the investment paper to close these gaps. Environment, Health and Safety (EHS) factors are considered as part of the asset investment evaluation process and strategy, in the investment paper submitted to CLI's Group Investment Management Committee (GIMC), and to the Board where relevant.

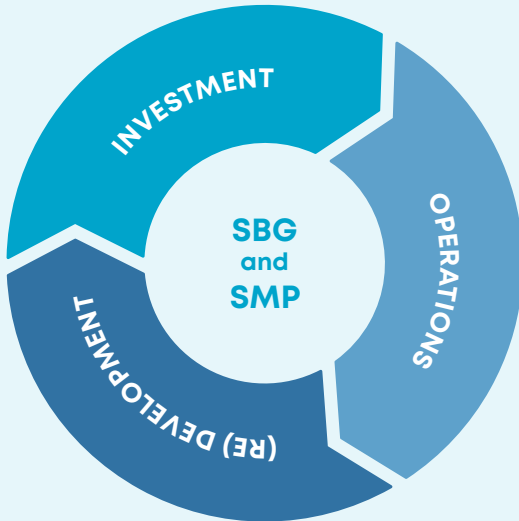


Through the implementation of the Group's Sustainable Building Guidelines (SBG), it aims to identify and address the risks and opportunities of climate change right from the design stage. The local context of each project is studied in detail, and appropriate measures are taken into consideration with regards to adaptation of climate change. SBG also sets requirements for buildings to be more energy efficient, e.g. setting green rating targets, specifying minimum equipment efficiency, and requiring the use of on-site renewable energy whenever possible.

Climate change and emissions reduction are key ESG material issues identified as relevant and critical for CLI.

11 Sectoral Risk Briefings: Insights for Financial Institutions—Climate Risks in the Real Estate Sector – UNEP, March 2023

Embedding targets for low carbon transition, waste management and circular economy, water conservation and resilience, accessibility, healthy and safe building and supply chain management throughout the real estate life cycle



#1 Investment

- Align with CLI 2030 SMP
- Conduct EHSIA including a shadow internal carbon price
- Quantify proprietary Return on Sustainability (ROS)

#2 Operations

- Align asset planning with 2030 SMP targets
- Sustainable operational excellence including sustainable procurement practices to meet 2030 SMP targets
- Testbed innovations and collaborate with partners
- Track, evaluate and disclose performance

#3 (Re) Development

- Design in accordance with CapitaLand SBGs to meet 2030 SMP targets
- Testbed innovations and collaborate with partners
- Track, evaluate and disclose performance

**Training of Staff
Stakeholder Engagement**

At the operational asset level, CLI's Environment, Health and Safety Management System (EHSMS), which is audited by a third-party accredited certification body to ISO 14001 and 45001 standards, serves to monitor transition risks relating to climate regulations across 19 countries via EHS legal registers updates and regular stakeholder engagement. Operational issues pertaining to climate change, energy and water are also identified and managed through the EHSMS to strengthen the climate resilience of its portfolio.

In 2020, CLI conducted a global portfolio baseline study to better understand its portfolio's physical climate risk in relation to floods. This included insights into whether properties were located in low lying plains, had encountered flooding in previous years, had equipment located in the basement, or had exposure to other flood risks. Globally, most of CLI's properties already have flood control features/measures in place, such as flood barriers, sensors, water level pumps and operational flood emergency response plans.

Strategy

CLI's 2030 Sustainability Master Plan further outlines the targets and pathways for transition to a low-carbon business that is aligned with climate science. Targets to reduce energy and water usage and carbon emissions, as well as green certification ratings, are set for its operational assets. Initiatives are put in place to improve the environmental performance, resilience and durability of its assets through system upgrades, system optimisation, effective maintenance and changes to user behaviour. The renewable energy target, continued achievement of high green building ratings as well as energy and water efficiency measures put in place to achieve the reduction targets would help to mitigate the impact of changing weather conditions. This is supplemented by social and stewardship actions. CLI has established pathways for achieving the environmental objectives on low carbon transition, water conservation and resilience, and waste management and circular economy. These include:

Targets to reduce energy and water usage and carbon emissions, as well as green certification targets, are set for its operational assets.



1. Integrate sustainability in the entire real estate life cycle. In particular, factor the Environment, Health and Safety Impact Assessment (EHSIA) and a shadow internal Carbon Price into the investment process.



2. Source climate-technology solutions through the global CapitaLand Sustainability X Challenge (CSXC) for piloting and adoption throughout the portfolio.



3. Use data analytics and digitalisation to track and analyse trends in environment parameters and use the insights for portfolio optimisation.



4. Strengthen innovation and collaboration through the S\$50 million CapitaLand Innovation Fund (CIF), to drive sustainability by sourcing globally and within CLI for new ideas and technologies to meet our bold sustainability ambitions.



5. Work with partners to create shared values that benefit the wider real estate community through partnerships and mentorships.



6. Raise capital through sustainable finance instruments by embracing sustainable finance initiatives such as sustainability-linked loans tied to CLI's achievements in performance ratings on global ESG indices. Interest rate savings can be channelled back into our decarbonisation efforts.

CASE STUDY



Green Opportunities from Retrofitting Heritage Buildings - Singapore



Improved ETFE membrane canopies lining the inner streets

In August 2022, CQ @ Clarke Quay underwent an asset enhancement initiative (AEI) to transform into a day-and-night destination. The AEI will complete in early 2024. Improving operational efficiency and integrating more sustainable building features accounted for approximately 34% of the total project cost. Retaining the cultural identity and social value of the heritage site while improving environmental performance was another key focus of the AEI. Much of the public space in CQ @ Clarke Quay remains naturally ventilated. Its sustainable features include:

Energy Efficiency

- ▶ Chiller upgrade with 30% improvement in efficiency, achieving the industry best practice of less than 0.6kW/RT.

Thermal comfort

- ▶ Existing canopies upgraded to better-performing ethylene tetrafluoroethylene (ETFE) membrane canopies, further reducing solar heat gain by ~70% as compared to the existing canopy, for enhancement of daytime comfort of the outdoor areas. The iconic bluebell-shaped canopies along the river promenade were fitted with enhanced polytetrafluoroethylene (PTFE) membranes to improve thermal comfort.
- ▶ New omni-directional fans to further enhance air circulation, while reducing energy consumption by approximately 50%. Equipped with nozzles to release evaporative cooling mists, these new fans target to lower ambient temperatures by approximately 2°C, addressing the urban heat island effect.

Circularity

- ▶ Existing steel and concrete structures in the canopies were retained. In extending the operational lifespan of these components, approximately 1,000 tonnes of embodied carbon was potentially avoided.

Culture and heritage

- ▶ As a conserved heritage site, concerted efforts were made to profile CQ @ Clarke Quay's rich history. Upgraded steps that double as seats were added to the landing of Read Bridge which was historically a social gathering place for storytelling, alongside a new accessibility ramp with lookout points. Heritage panels, cast iron manhole covers and bronze plate tiles narrating the history of the Clarke Quay precinct are displayed throughout the area to engage visitors.

The Building and Construction Authority (BCA) Green Mark certification of CQ @ Clarke Quay was elevated to Green Mark Gold^{PLUS}.



1,030,000

kWh/year of energy savings



S\$120,000

cost avoidance annually



~34%

of total project cost dedicated to green features

Climate Scenario Analysis

CLI piloted various physical risk platforms with sample global assets to prepare for its global portfolio scenario analysis study. (Please refer to details of the pilot studies in Chapter 1: About this report.)

In 2022, CLI and its real estate investment trusts (REITs) and business trusts commenced its third climate scenario analysis comprehensively for its global portfolio in 20 countries, to understand how the identified climate-related risks and opportunities could impact future operations. This analysis considered scenarios based on the latest global and scientific developments (scenarios from 1.5°C to 3°C for current to long-term time frames), to draw conclusions on the financially material physical and transition risks and to validate CLI's current strategy. CLI and its REITs and business trusts continue to review their mitigation and adaptation plans and identify opportunities that align with CLI's 2030 SMP.

Summary of the third climate scenario analysis parameters

The third climate scenario analysis for the CLI global portfolio considered the parameters listed below:



	1.5°C scenario	2°C scenario	3°C scenario
Physical Risk Scenarios	<ul style="list-style-type: none"> ▶ NGFS^a 1.5°C Orderly, 2100 	<ul style="list-style-type: none"> ▶ NGFS 2°C Orderly, 2100 	<ul style="list-style-type: none"> ▶ NGFS 3°C Hot House World (NDC^b), 2100 ▶ Most severe physical risk impacts & costs at 3°C and in the longer term
Transition Risk Scenarios	<ul style="list-style-type: none"> ▶ CRREM^c 1.5°C, 2050 ▶ Most severe transition risk impacts & costs at 1.5°C and in the shorter term 	<ul style="list-style-type: none"> ▶ NGFS 2°C Orderly, 2100* 	<ul style="list-style-type: none"> ▶ NGFS 3°C SSP2^d Hot House World, 2100
Geographical Coverage (This includes portfolios of CLI REITs and business trusts**)	<ul style="list-style-type: none"> ▶ All assets*** within operating regions ▶ More than 480 properties across 20 countries including: Singapore, China, India, Japan, Korea, Australia, the United States and countries in Europe 		

* The CRREM^c 2°C, 2050 transition risk scenario was chosen in the beginning of this climate scenario analysis. However, the platform updated its models and this option was removed during CLI's analysis. The NGFS 2°C, 2100 Orderly scenario was then identified to replace the removed CRREM 2°C, 2050 scenario

** Climate scenario studies conducted for each CLI REIT and business trust.

*** CLI owned properties, as of 31 December 2022

a The Network of Central Banks and Supervisors for Greening the Financial System (NGFS)

b Nationally Determined Contributions (NDC)

c Carbon Risk Real Estate Monitor (CRREM)

d Shared Socioeconomic Pathways (SSP)

Disclaimers

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This report contains forward-looking statements and statements of opinion. All statements, other than statements of historical fact, including without limitation, statements regarding the plans, strategies and objectives of management in relation to climate and CLI's future performance, are forward-looking statements. Forward-looking statements are predictive in character and involve subjective judgement, assumptions and analysis, and can be subject to potentially significant risks, uncertainties and other factors, many of which are outside the control of, and are unknown to, CLI. Other unpredictable or unknown factors not discussed in this report could also have material adverse effects on forward-looking statements. CLI does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. Users of this report are cautioned not to place undue reliance on such statements, particularly in light of the long-term horizon which this report discusses and the inherent uncertainty in possible policy, market and technological developments in the future. CLI will continue to publish relevant climate-related disclosures in its future annual Global Sustainability Reports and users of this report are advised to check its website for and refer to the latest published report.

While CLI has prepared the statements in good faith, there are also limitations with respect to climate scenario analysis derived from a third-party platform. The degree of potential risk identified in this platform does not consider mitigation or adaptation strategies that may be in place or are being implemented at the portfolio company or specific asset. It also does not consider planned mitigation or adaptation strategies at the country level. The climate scenario analysis in this report was reviewed with and augmented by another third-party consultant. Scenario analysis is not an indication of probable outcomes and relies on assumptions that may or may not prove to be correct or eventuate. Scenario analysis is a process for identifying and assessing the potential implications of a range of plausible future states under conditions of uncertainty. Scenarios are hypothetical constructs and not designed to deliver precise outcomes or forecasts. Additionally, scenarios are not warranted or guaranteed to be free from technical inaccuracies or omissions. Instead, scenario analysis provides a way for organisations to consider how the future might look if certain trends continue or certain conditions are met. In the case of climate change, for example, scenarios allow an organisation to explore and develop an understanding of how various combinations of climate-related risks, both transition and physical risks, may affect its businesses, strategies, and financial performance over time.

While every effort was made to provide accurate and complete information, CLI does not represent or warrant that the information in this report is free from errors or omissions, or is complete. This report is not intended to be and should not be relied upon as advice to investors or potential investors. In particular, no representation or warranty is given as to the accuracy, likelihood of achievement or reasonableness of any forward-looking statements contained in this Statement or the assumptions on which they are based. Climate scenarios may change and third-party platform outputs may change and improve over time. Such material is, by its nature, subject to significant uncertainties and contingencies outside of CLI's control. Actual results, circumstances and developments may differ materially from those expressed or implied in this report.

Strategy





Group level analysis: approach and results

The third scenario analysis was performed at the CLI Group level, for more than 480 assets from different asset classes of commercial office, retail mall, serviced residence/hotel, lodging integrated development, business park, industrial and logistics. They are also spread across 20 countries, including Singapore, UK, US, Australia and other countries in Asia and Europe.

The following heatmap on physical risk reflects the quantitative approach based on assessment performed by a third-party platform. The heatmap on transition risks includes the quantitative approach based on assessment performed by a third-party platform, augmented by additional qualitative research undertaken by an external consultant.

The quantitative analysis represents analysis with respect to the asset values of CLI's assets worldwide and their respective exposure to changes in climate-related risks. It is important to note that the risk level is based on the change of the risk in future scenarios – it is assumed that there is currently a certain level of risk exposure for each of the climate-related risks and the risk level reflects the magnitude of change. The colour-coded heatmap was derived based on thresholds of financial exposure, which have been grouped into the five major categories presented in the legend. The risk levels are relative to baseline exposure. While risk levels appear similar across scenarios, these results are presented on a global portfolio level.



Group level analysis: approach and results


Risk Type	Primary Risk Driver	Potential Impacts	Risk Level in 3 Scenarios ¹²			Mitigation Measures
			1.5°C (NFGS, 2100)	2°C (NFGS, 2100)	3°C (NFGS, 2100)	
Physical Risk						
Extreme cold 	Cold days and extreme cold could become more common and/or severe	<ul style="list-style-type: none"> ▶ Increase in heating demand leading to higher utility costs and potentially higher Scope 1, if fuel oil or natural gas boilers are used 				<ul style="list-style-type: none"> ▶ Ongoing maintenance to ensure that air heating systems and generators are in good working order and appropriate for both the local and changing climate conditions. ▶ Future retrofits and designs to consider welfare of staff, tenants, visitors, and customers in such environments.
Extreme heat 	Hot days and extreme heat could become more common and/or severe	<ul style="list-style-type: none"> ▶ Increase in cooling demand leading to higher electricity costs 				<ul style="list-style-type: none"> ▶ Ongoing maintenance to ensure that air cooling systems and generators are in good working order and appropriate for both the local and changing climate conditions. ▶ Implement health and safety initiatives to protect people from extreme heat risk, including work restrictions during peak temperature hours, as required.
Fluvial flooding 	Damage to assets located in high flood risk zones	<ul style="list-style-type: none"> ▶ Increase in assets exposed to growing severity of river floods ▶ Increase in operating costs (e.g. repair costs, business interruption) 				<ul style="list-style-type: none"> ▶ Develop flood control features / measures including flood gates and drainage infrastructure where appropriate. Platform level to be checked against flood maps for new design or redevelopment. ▶ Ensure flood emergency response plans are implemented.
Coastal flooding 	Properties in coastal areas may be exposed to steady and continuous sea level rise	<ul style="list-style-type: none"> ▶ Increase in assets exposed to coastal flooding ▶ Increase in capital expenditures to construct flood control infrastructure 				<ul style="list-style-type: none"> ▶ Monitor national-level initiatives to mitigate coastal flooding risk. ▶ Develop flood control features / measures where appropriate. ▶ Ensure flood emergency response plans are implemented. <p><i>(Note: The risk delta from 1.5°C to 3°C scenarios for the significant risk level is close to 8%)</i></p>
Risk level determined by third-party platform None Negligible Moderate Significant Severe						

12 Risk level reflects CLI's global portfolio average risk level

Strategy

Group level analysis: approach and results

Risk Type	Primary Risk Driver	Potential Impacts	Risk Level in 3 Scenarios ¹²			Mitigation Measures
			1.5°C (NFGS, 2100)	2°C (NFGS, 2100)	3°C (NFGS, 2100)	
Physical Risk						
Tropical Cyclones 	Properties may face more frequent and severe tropical cyclone	<ul style="list-style-type: none"> ▶ Higher chance of damage to specific asset locations that are tropical cyclone-prone ▶ Increase in operating costs (e.g. business interruption) 				<ul style="list-style-type: none"> ▶ Check and ensure structures are sufficient to withstand increased windspeed. ▶ Improvements to roofs and site drainage systems including reinforcement / improvement where appropriate. ▶ Increased operational management, including regular inspections of back-up generation facilities. ▶ Ensure business continuity plans and emergency response plans for severe storms are implemented, including plans for power supply cuts or system failures.
Wildfires 	Risk of wildfires could increase in extremely dry conditions, such as drought, and during high winds	<ul style="list-style-type: none"> ▶ Increase in assets exposed to wildfires ▶ Increase in operating costs (e.g. filtration demand, business interruption) 				<ul style="list-style-type: none"> ▶ Design and monitor landscaping to prevent vegetation encroachment to structures. ▶ Inclusion of fire breaks (e.g., service roads) between outside vegetation and structures. ▶ Distribution of escape plans to staff/occupants. ▶ Ensure business continuity plans and emergency response plans for wildfires are implemented (distribution of escape plans to staff and occupants).
Risk level determined by third-party platform						
 None Negligible Moderate Significant Severe						




Risk Type	Primary Risk Driver	Potential Impacts	Risk Level in 3 Scenarios ¹²			Mitigation Measures
			1.5°C (CRREM, 2050)	2°C (NGFS, 2100)	3°C (NGFS, 2100)	
Transition Risk						
Carbon Price Shifts 	Carbon emissions priced through taxation or emissions trading schemes	<ul style="list-style-type: none"> ▶ Increase in operational costs associated with carbon pricing 				<ul style="list-style-type: none"> ▶ CLI implemented a shadow internal carbon price to inform decision-making for long-term investments before policies are implemented. ▶ CLI has a decarbonisation plan / strategy in place to ensure the adoption of strategies to minimise emissions and reduce CLI's exposure to carbon price shifts.
Risk level determined by third-party platform						
 None Negligible Moderate Significant Severe						

¹² Risk level reflects CLI's global portfolio average risk level

Strategy



Aside from the risk assessment performed by a third-party platform, CLI further explored additional physical and transition risks and opportunities in a qualitative manner. Some of these risks are also seen as ‘indirect’ climate-related risks to CLI and its operations so evaluating them and keeping them in view is of importance to CLI’s climate transition journey. The perceived risk level is based on the market trends, current developments and CLI’s experience and expertise in the real estate market. The perceived risk level is seen through two scenarios – a 3°C scenario which is assumed to be a ‘business-as-usual’ scenario where there is not sufficient action taken by economies and businesses to transition to a lower carbon economy and a 1.5 - 2°C degree scenario, where there is some potential action done to tackle some of the risks of transitioning to a lower carbon economy. On the opportunity side, these were only reviewed as potential actions which CLI can reference to inform our strategy and they have not been evaluated using the risk level heatmapping criteria, or reviewed by scenario (these opportunities would be relevant in all scenarios). The following risks and opportunities are explored on a global portfolio level. The legend for risk levels for the following risks and opportunities is built upon the same financial exposure thresholds as the risk assessment performed by a third-party platform, but based on both qualitative and quantitative criteria that correspond to each risk level. CLI will continue to monitor these short-term and medium-term risks.

Group level analysis: approach and results

Risk Type	Primary Risk Driver	Potential Impacts	Risk Level in 3 Scenarios ¹² (2030)			Mitigation Measures
			1.5°C	2°C	3°C	
Transition Risk						
Regulator expectation changes 	Regulators with more stringent policies and regulations around climate change for the buildings / real estate sector	<ul style="list-style-type: none"> More comprehensive disclosures expected on climate change actions and metrics 				<ul style="list-style-type: none"> CLI’s carbon emissions targets are validated by the Science Based Targets Initiative (SBTi). CLI’s carbon emissions have been externally audited since FY 2010. CLI’s climate-related disclosures are aligned to international standards, and CLI makes on-going efforts to follow the latest developments around climate and emissions reporting standards. CLI will encompass such developments into its disclosure, to stay aligned with best practice disclosure standards on climate risk (e.g. exploring ISSB reporting recommendations and incorporating them into its disclosure).
Customer expectation changes 	Consumer preferences could shift towards greener buildings	<ul style="list-style-type: none"> Increased number of tenants seeking assets with high-performing green credentials 				<ul style="list-style-type: none"> CLI has green building certification and green lease target for its portfolio as part of the CLI 2030 SMP. (Please refer to page vii of CLI GSR 2022.) CLI does a continuous assessment of green building certification for its properties and will implement necessary asset enhancements to align with relevant/latest certification levels. Extend green lease options to CLI tenants in more markets, with green building requirements and expectations.
Electricity price shifts 	Growing adoption of renewable energy could drive changes in electricity costs	<ul style="list-style-type: none"> Increase in capital investment in renewable energy Fluctuations in operating costs from electricity price variability 				<ul style="list-style-type: none"> CLI has a renewable energy target, and a carbon emissions target which is science based, for its portfolio. CLI has embarked on group procurement of green power purchase agreements for key markets. CLI continues to implement energy efficiency improvement initiatives at its properties, where feasible.
Risk level determined by third-party consultant None Negligible Moderate Significant Severe						

12 Risk level reflects CLI’s global portfolio average risk level

Strategy

Opportunity	Primary Driver	Potential Impacts	Approach
Use of new technologies including PropTech (property technology) to manage emissions 	Investment in technologies for improving energy and water efficiency	<ul style="list-style-type: none"> ▶ Reduced exposure to regulations, carbon price, electricity price and water price increases ▶ Reduction in operating costs 	▶ CLI continues to pilot new technologies in existing buildings and deploy sustainability innovations in its global portfolio via the CapitaLand Innovation Fund.
Increased demand for green products and services 	Shift in consumer preferences and development of low emissions goods and services	<ul style="list-style-type: none"> ▶ Increase in revenue by tapping on the green rental premium created by increased demand for sustainable buildings ▶ Increase in asset value for low carbon buildings 	<ul style="list-style-type: none"> ▶ Ongoing discussions with tenants to identify opportunities to support their carbon reduction commitments. ▶ Continuous assessment of the green building certification for CLI's properties and adopting the necessary asset enhancements to align with the relevant/latest certification levels.

CASE STUDY



Flood Mitigation in China



On-site flood management trainings in China include placing sandbags and water blocking gates at building entrances

CLI has identified coastal and fluvial flooding as physical climate risks to its portfolio in China. To mitigate this, properties have flood control features and measures in place against flooding risk. Asset teams leverage the China Ocean activities alarm system to activate its flood emergency response plans.

Its properties are built to meet China's current platform level requirements, and asset management practices comply with the storm/flood emergency management policies and regulations of China. The asset teams would monitor the city level efforts to mitigate risks associated with sea level rise.

In addition, CLI's operations staff undergo regular training sessions on-site which involve rehearsing detailed critical standard operating procedures with key personnel. This includes placing sandbags and water blocking gates at building entrances, especially those that lead to the basement, ensuring the plumbing systems are functioning well, etc.



CLIMATE TRANSITION PLAN - STRATEGY

Policy engagement

When it comes to external policy engagement with industry and trade associations, CLI's management is represented in Singapore's Building and Construction Authority (BCA) Board. This authority oversees the real estate sector's achievement of the Singapore Green Plan targets, which cover all companies in Singapore, including CLI. Furthermore, CLI is part of the Science Based Targets initiative's (SBTi) Expert Advisory Group on Buildings, the REIT Association of Singapore (REITAS) Sustainability Taskforce, the Urban Land Institute's (ULI) Sustainability Council, as well as Asia Pacific Real Estate Association's (APREA) Sustainability and ESG Committee. As part of these industry associations, CLI collaborates and participates in promoting sustainability and climate-related efforts and initiatives. This includes contributing to the Institute of Singapore Chartered Accountants (ISCA) Climate Disclosure Guide Volume 2 - First steps in Conducting Climate-Related Scenario Analysis, as well as contributing to the REITAS-EY report on "Climate risk disclosures in real estate investment trusts (REITs): A study of Singapore REITs."

CLI's management participates in regulatory, association-led roundtables and focus groups discussions relating to climate change, climate disclosures and transition planning. This included the Enterprise Singapore Roundtable on Supply Chain Sustainability Challenge in relation to Scope 1 and 2 disclosures by small and medium enterprises, as well as active engagement with Singapore Exchange Regulation (SGX RegCo) and Monetary Authority of Singapore (MAS) in relation to their consultation papers relating to climate related disclosures and transition planning guidelines for asset managers.

CLI is a signatory to the United Nations Global Compact (UNGC) and the United Nations Principles for Responsible Investment (UNPRI).



CLIMATE TRANSITION PLAN - STRATEGY

CLI's decarbonisation and climate transition strategy

CLI's decarbonisation plan is integrated in the entire real estate life cycle.

- ▶ All new investments into operational assets and development projects undergo the EHSIA during due diligence to identify any environmental (including climate change) risks and opportunities related to the asset/project site and its surroundings. The assessment covers performance metrics such as energy efficiency, as well as transitional and physical risk and opportunity considerations. A shadow internal carbon price is also applied. Environment, Health and Safety (EHS) factors are considered as part of the asset investment evaluation process and strategy. Significant findings from the assessment would be incorporated in the investment paper submitted to CLI's Group Investment Management Committee and/or Board for approval.
- ▶ Through the implementation of the CLI's Sustainable Building Guidelines (SBG), CLI is able to identify and address the risks and opportunities of climate change right from the design stage. The local context of each project is studied in detail, and appropriate climate change adaptation measures are considered. The SBG also sets requirements for buildings to be more energy efficient, e.g. setting green rating targets, specifying minimum equipment efficiency, and requiring the use of onsite renewable energy whenever possible. By doing so, the decarbonisation aspects of each project are reviewed and integrated from feasibility, design, procurement, construction, operations to redevelopment stages.
- ▶ At the operational asset level, the Group's Environment, Health and Safety Management System (EHSMS), which is audited by a third-party accredited certification body to ISO 14001 standard, serves to monitor transition risks relating to climate regulations via EHS legal registers updates and regular stakeholder engagement. Operational issues pertaining to climate change, energy and water are also identified and managed through the EHSMS to strengthen the climate resilience of the Group's portfolio.
- ▶ CLI's refreshed 2030 Sustainability Master Plan (SMP) further outlines the targets and pathways for transition to a low-carbon business that is aligned with climate science. Targets to reduce energy and water usage and carbon emissions, as well as green certification targets, are set for its operational assets. Initiatives are put in place to improve the environmental performance, resilience and durability of its assets through system upgrades, system optimisation, effective maintenance and changes to user behaviour. The newly elevated renewable energy target, continued achievement of green building ratings as well as energy and water efficiency measures put in place to achieve the reduction targets would help to mitigate the impact of changing weather conditions, and is a key part of CLI's sustainability strategy.

Climate-related risks and opportunities

The above section on the climate scenario analysis results and findings summarise the key climate-related risks and opportunities for CLI. Majority of the mitigation measures mentioned are part of CLI's general strategy to decarbonise and transition to a lower carbon economy, with the key ones forming part of the CLI 2030 SMP. As one of the more significant risks, carbon price shifts are an area which CLI aims to address through the decarbonisation initiatives which are part of the CLI 2030 SMP.



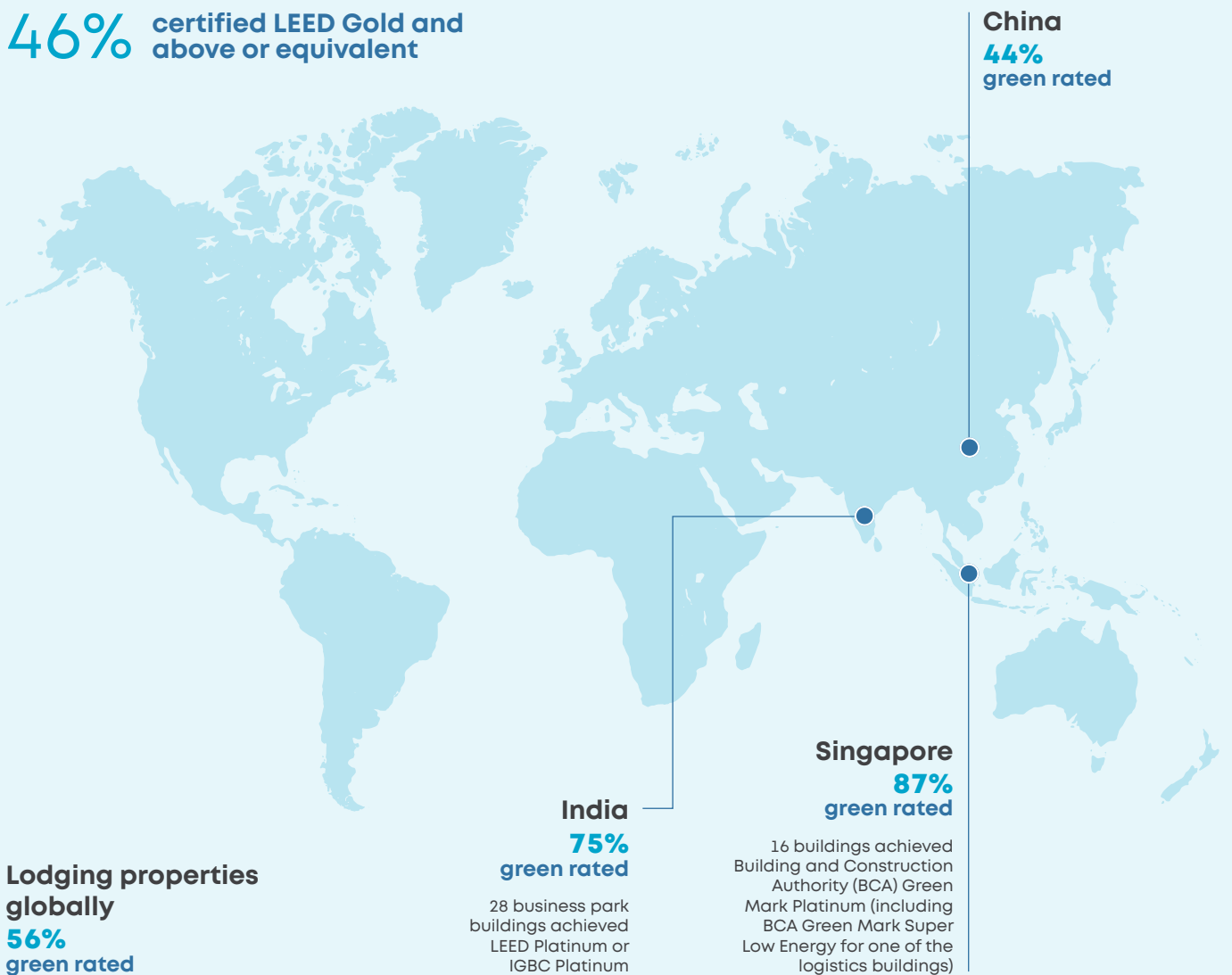
CLIMATE TRANSITION PLAN

Green and low carbon buildings

CLI targets to incorporate green features in all its existing properties, with the aim of further greening its global operational portfolio by 2030. The intention is for each property to achieve at least a minimum certification level by a green rating system, administered by a national government ministry or agency or the World Green Building Council. In addition, CLI has targets on energy efficiency intensity and renewable energy for its global property portfolio.

60% of global portfolio achieved green rating

46% certified LEED Gold and above or equivalent



Note: Diagram reflects portfolio green rating for the reporting year of 2023. This refers to CLI-owned and operationally-managed properties by m².

Risk Management

CLI conducts an annual Group-wide Risk and Control Self-Assessment (RCSA) exercise that requires business units and corporate functions to identify, assess and document material risks including relevant ESG risks, along with their key controls and mitigating measures. Material risks and their associated controls are consolidated and reviewed before they are presented to CLI's Risk Committee, Audit Committee and CLI's Board. This exercise is based on CLI's annual Group-wide RCSA exercise, review of the Risk Appetite Statement and Key Risk Indicator on Climate Change and Environmental Risk. Such climate-related risks and opportunities are identified and mitigated through CLI's ERM Framework and its externally certified ISO 14001 Environmental Management System (EMS).

CLI's risk management process to address its key risks and uncertainties, including climate change, is discussed further in its Annual Report, under Enterprise Risk Management.

Climate-related risks and opportunities are identified and mitigated through CLI's ERM Framework. CLI prioritises material ESG issues based on the likelihood and potential impact of the issues affecting business continuity and development. Notably, CLI is cognizant of the risk posed by existing and emerging regulatory requirements in relation to climate change as it is outlined in CLI's ERM Framework as a transitional climate change risk. Some of these risks include: regulatory or compliance risks which are prompted by sustainability or climate regulations in the countries of operation, market risks which include shifts in carbon and electricity prices, or customer expectations and shifts in preferences.

Physical risks are observed through the regular monitoring of incidents across the portfolio. In 2020, CLI conducted a global portfolio baseline study to better understand its portfolio's physical climate risk in relation to floods. This included insights into whether the properties were located in low-lying plains, encountered flooding in previous years, had equipment located in the basement, etc. Globally, most of CLI's properties already have flood control features/measures in place, such as flood barriers, sensors, water level pumps and flood emergency response plans.

Climate-related physical risks occurring as extreme weather events, such as floods and changing climate patterns, are regularly monitored across the portfolio. In addition, through CLI's ERM Framework and the implementation of the EHSIA for all new investments, certain physical risks are identified and prioritised. For example, floods are highlighted in the due diligence reports, and plans are identified to integrate climate change resilience and adaptation considerations into the design, development and management of properties. To further strengthen climate resilience to flood risk, CLI will regularly engage its business units to ensure flood emergency response plans are implemented across its portfolio.

Globally, most of CLI's properties already have flood control features/measures in place, such as flood barriers, sensors, water level pumps and flood emergency response plans.

Risk Management



CLIMATE TRANSITION PLAN - RISK MANAGEMENT

Shadow Internal Carbon Price

CLI supports low-carbon investments and factors climate-related costs and opportunities into its evaluation of new investments or capital expenditure through the incorporation of its shadow internal carbon price and application of its Return on Sustainability metric, which provides CLI the opportunity to build resilience throughout its operations as well as to future-proof its real estate portfolio.

CLI implemented a shadow internal carbon price since 2021 to quantify climate-related risks and opportunities for its new investments. It continues to develop its propriety metric, Return on Sustainability, in addition to the regular financial return to measure its ESG impact. This metric aims to redirect investments towards lower-carbon solutions, and renewable energy projects across CLI's businesses and operations. As such, returns on investments are assessed against environmental impacts such as carbon emission implication. This enables CLI's senior management to have a more holistic assessment of potential investment and projects, thus leading them to make a decision that will seek to achieve CLI's long-term goals. CLI will continue to enhance its Return on Sustainability metric and explore new metrics to measure climate-related risks and opportunities.

Environment, Health, and Safety Impact Assessment (EHSIA)

CLI conducts its Environment, Health, and Safety Impact Assessment (EHSIA) as a tool for identifying climate-related risks and opportunities. For more information, please refer to page 7.

Green Capital Expenditure

In 2023, CLI conducted, completed, and provided to senior management a portfolio review on the required capex for its CLI global portfolio to meet CLI's 2030 SMP environmental targets for carbon emission, on-site renewable energy, energy efficiency, water efficiency, and green certification. The assessment incorporated time bands to furnish management with insights on the medium-term capex requirements and ensure that there is a phased implementation of the capex within the group.

The ultimate goal of this exercise was to ensure that the appropriate capex for relevant initiatives and technologies to enhance the assets' environmental performance is set aside in the annual budgets of the respective business units.

At the second phase, the portfolio review output was combined with climate scenario analysis data to better manage the individual asset risk profile, generate further insights on asset environmental performance, and identify assets requiring closer attention. For example, the exercise allows CLI to identify assets that are at a relatively higher transition risk within the portfolio, and likely higher variance from the SMP targets, but have a relatively lower capex initially assigned. These would then be highlighted to the relevant asset owners for further deep-dives and assessments to improve performance. Overall, this allows CLI to manage its environmental performance at a portfolio level and customise asset-specific strategies.

In 2023, CLI completed a portfolio review on the required capex for its global portfolio to meet CLI's 2030 SMP environmental targets.

Metrics and Targets

CLI tracks the carbon emissions of its managed and owned operational properties via its cloud-based Environmental Tracking System (ETS). All related metrics have been regularly disclosed in its annual Global Sustainability Report. Since 2010, CLI has been disclosing Scope 1, 2 and 3 emissions of its global portfolio and the data has been externally assured. Full emissions metrics for 2023 will be presented in CLI GSR 2023 published in May 2024.

Its carbon emissions reduction targets for Scope 1 and 2 are approved by the Science Based Targets initiative (SBTi) for a 1.5°C scenario in 2022. This target is in line with the goals of the Paris Agreement to keep global temperature rise to 1.5°C in this century. CLI also committed to Net Zero for Scope 1 and 2 emissions by 2050.

To calculate its carbon emissions, CLI adopts the operational control approach as defined by the GHG Protocol Corporate Standard¹³. CLI also undergoes annual independent external assurance for its Global Sustainability Report, including its carbon emissions figures. The accuracy and reliability of the report's statements and figures are validated.

CLI sets sustainability and climate-related performance metrics and targets that are linked to the remuneration policies for members of senior management, such as the Balanced Scorecard (BSC) framework for 2022 which included both quantitative and qualitative targets relating to climate change. The BSC was cascaded Group-wide. Since 2021, carbon emissions intensity reduction was introduced as a performance measure in CLI's Performance Share Plan Awards, which is granted to its senior management.

CLI also implemented a shadow internal carbon price since 2021 to quantify climate-related risks and opportunities for its new investments. It also continues to develop its proprietary metric, Return on Sustainability, in addition to the regular financial return to measure its ESG impact. This metric aims to redirect investments towards lower-carbon solutions, and renewable energy projects across CLI's businesses and operations. For more information, please refer to page 21 of this report.

CapitaLand had its carbon emissions reduction targets for Scope 1 and 2 approved by the Science Based Targets initiative (SBTi) for a 1.5°C scenario in 2022.

¹³ CLI's GHG computation for Scope 1 and 2 is mostly from purchased energy consumption under Scope 2, and some direct energy consumption under Scope 1 (mainly natural gas, and other fuels such as diesel, petrol and LPG) as defined by the GHG Protocol (operational control approach) and using individual country CO₂e emission factors retrieved from the International Energy Agency Statistics – CO₂ emission factors from fuel combustion.

Metrics and Targets

CASE STUDY



India Net Zero Operational Asset - ITPC Radial Road



Clockwise from top:
 International Tech Park Chennai - Radial Road (ITPC-RR)
 Aluminium fins on external façade of ITPC-RR to reduce solar heat gain and improve thermal comfort
 Solar panels on rooftop of ITPC-RR

In 2022, CLI signed a Memorandum of Understanding (MoU) with the Confederation of Indian Industry – Indian Green Building Council (IGBC) to further the Net Zero movement in India, and augment CLI’s commitment to achieving Net Zero emissions for Scope 1 and 2 by 2050.

- ▶ IGBC recognised CLI’s International Tech Park Chennai - Radial Road (ITPC-RR), which commenced operations in 2023, as the first Net Zero business park in India. The Net Zero certifications included energy and water at the design phase, as well as a provisional certification for waste management. ITPC-RR is designed to utilise 27% less energy as compared to the national baseline.
- ▶ Zero operational carbon emission from ITPC-RR, as ITPC-RR is powered entirely by onsite and offsite renewable energy from a combination of solar and wind sources.
- ▶ Close to zero net consumption of raw water in ITPC-RR, as over 80% of water consumed is recycled water and additional water is given back to source.
- ▶ Close to zero waste, whereby over 90% of waste produced during the construction phase is recycled and thus diverted from landfill. The remaining is due to prefabricated construction where waste is managed offsite. Organic waste composters are installed onsite.

0

operational carbon emissions



~27%

less energy utilised as compared to the national baseline



>80%

of water consumed is recycled water



2030 Sustainability Master Plan (SMP) Targets and Performance

	2030 Target	2022 Performance ¹⁴
Low-carbon Transition	Achieve science-based target of reducing carbon emissions by 46% from 2019 baseline	• 6.8% reduction against 2019
	Reduce carbon emissions intensity by 72% from 2019 baseline	• 15.3% reduction against 2019
	Reduce energy consumption intensity by 15% from 2019 baseline	• 14.7% reduction against 2019
	45% of electricity consumption from renewable sources	• 5%
	Green global operational portfolio ¹⁵	• 58%

For the most updated performance against 2030 SMP targets, please refer to CLI’s latest Global Sustainability Report.

14 One driver of intensity reduction against baseline years of 2019 and 2008 was the drop in activity at some of CLI’s properties amid COVID-19.
 15 This refers to CLI’s owned and operationally-managed properties by m².

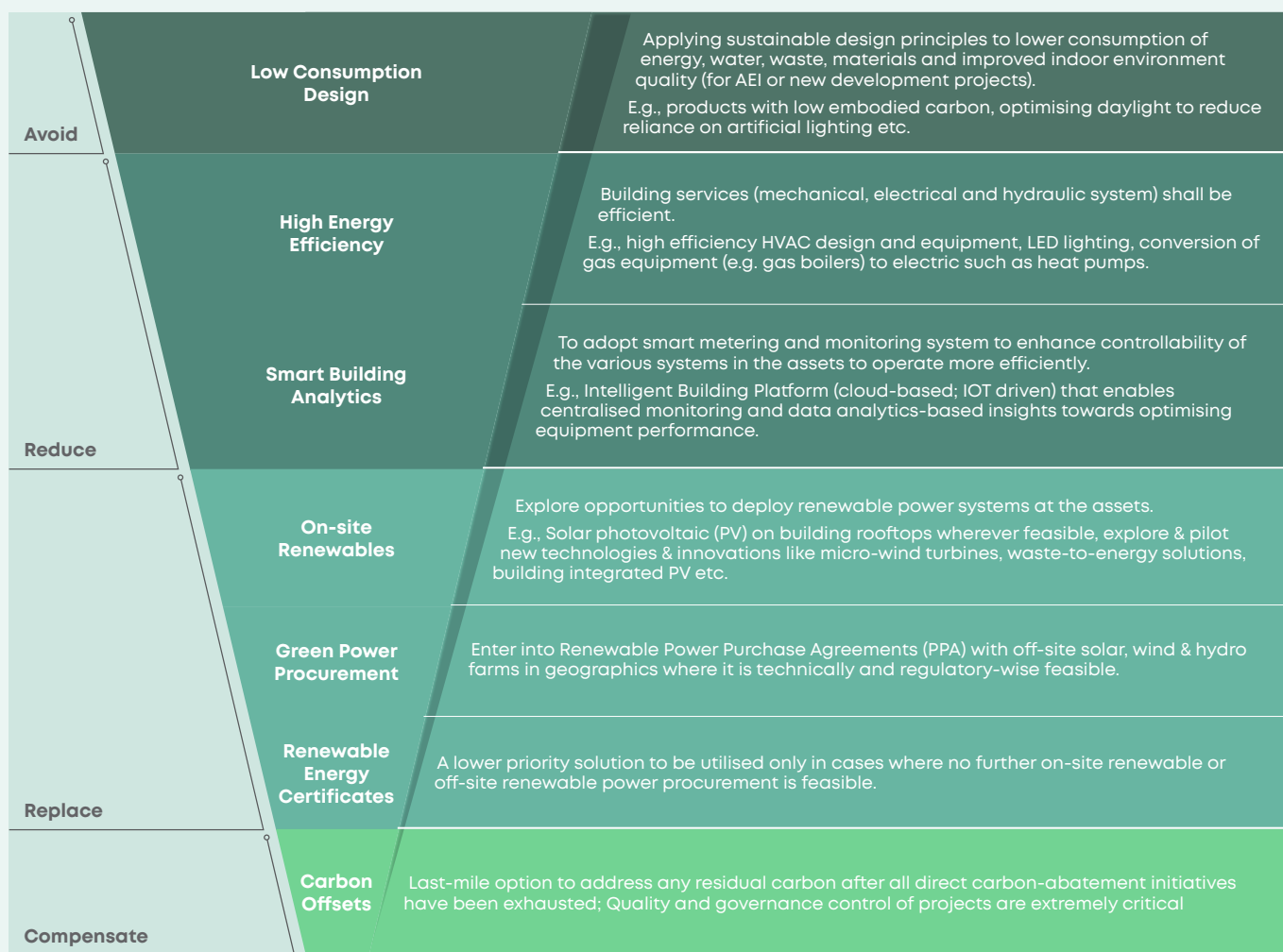
Metrics and Targets



CLIMATE TRANSITION PLAN - METRICS AND TARGETS

CLI's decarbonisation and mitigation strategies

As part of the CLI 2030 SMP, CLI has a number of mitigation and decarbonisation strategies which are prioritised based on their availability, feasibility and decarbonisation potential. Further detail is presented in the visual hierarchy map below.



CLI follows the Avoid, Reduce, Replace, and Compensate hierarchy for decarbonisation across the real estate life cycle, including for all new build or asset enhancement projects. Project data is monitored during construction and operation through its ETS. The first stage of carbon mitigation is to avoid the emission of carbon. This is accomplished with low carbon design early in the stage of a project when major refinements can be made quickly and efficiently. To facilitate this step, CLI draws on its in-house Sustainable Building Guidelines. The next stage focuses on reducing emissions through the use of high efficiency M&E equipment and smart building analytics. In parallel, we emphasise on replacing grid electricity and on-site fuel consumptions with on-site renewable energy as well as off-site green power procurement through corporate Power Purchase Agreements. Many of the latest Smart Building and on-site renewable solutions are also under pilot through the CSXC or CIF programmes. Where neither on-site nor green power are sufficient to replace building energy consumption, CLI utilises Renewable Energy Certificates where appropriate.

CLI aims to address any remaining residual carbon with carbon offsets and is currently reviewing its carbon offsets strategy. The planned use of carbon offsets will be in line with the existing SBTi requirements - i.e. offsets will only be used in the last-mile for emissions reductions beyond CLI's science-based reduction targets and decarbonisation strategies (i.e. residual emissions) to reach Net Zero. They will be sourced from high quality reputable carbon credit projects that undergo the necessary verification and certification processes, aligned to international standards. CLI is aiming to ensure the credibility and integrity of the offsets that it plans to procure.

Metrics and Targets



CLIMATE TRANSITION PLAN

Value Chain Engagement & Low Carbon Initiatives

Scope 3 or value chain emissions are the next key area of focus for CLI's decarbonisation journey. Some key areas within Scope 3 that CLI will focus and continue to enhance upon include:



- 1. Extend and enhance material Scope 3 data coverage.** This is especially for supply chain related emissions.



- 2. Collaborate with tenants** to decarbonise their energy consumption. This will include expanding the green lease implementation to more markets. CLI has already rolled out the green lease programme in Singapore and China, and aims to expand the green lease programme to properties globally and work with the tenants to enhance their sustainability performance. Currently, for CLI properties globally, a green fit-out guide is provided to new tenants to encourage them to adopt greener fit-outs and promote green practices and behaviour. In 2023, CLI partnered with its tenants for its global CapitaLand Sustainability X Challenge (CSXC) to widen its sustainability impact. Selected CSXC innovations will have the opportunity to be piloted at the premises of CapitaLand's tenant partners including DBS Bank and KPMG in Singapore.



- 3. Influence supply chain** through strengthening CLI's ESG screening of suppliers and enhancing CLI supply chain's ESG awareness through targeted engagement sessions. Explore new emerging and innovative construction technologies/methods relating to embodied carbon targets and processes, in collaboration with its suppliers for the asset enhancement initiatives of CLI's properties. (CLI is already implementing specific climate-related requirements, including energy efficiency, reduced packaging and recycled content. There is also a continued requirement for main contractors to be ISO 14001 certified or implement on-site audit, and preference for vendors with EHS certifications.)

Looking Ahead

After the finalisation of the first round of the Group-wide scenario analysis, CLI and its REITs and business trusts will continue to analyse the full extent and magnitude of the climate-related risks and opportunities of its portfolio. Where necessary, additional assessments, including site-specific assessments, will be required to determine if the scenario analysis impacts are relevant after considering the mitigation options on its specific sites.

CLI is also assessing its readiness on reporting against the newly launched International Sustainability Standards Board (ISSB) reporting standards IFRS-S1 and S2. It will continue to enhance its disclosures in accordance with these standards and will align with the SRAC's finalised recommendations on mandatory climate-related financial disclosures, which requires climate reporting to be aligned to ISSB requirements. CLI continues to monitor the applicability of the new nature-related disclosure guidelines under the Taskforce for Nature-related Financial Disclosures (TNFD).



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