



Verification Report

Based on Pre-Issuance Requirements of
the Climate Bonds Standard

CDL Properties Limited

A subsidiary of City Developments Limited

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Introduction

CDL Properties Limited (Issuer) is proposing its debut green bond offering of SGD100 million in April 2017 and has appointed KPMG to provide independent assurance on their Green Bond Framework (framework) prepared for this issuance. This report presents our opinion on conformance of their framework with the pre-issuance requirements of the Climate Bonds Standard Version 2.0.

Assurance Standard

We conducted our engagement in accordance with requirements of 'Limited Assurance' as per International Federation of Accountants' (IFAC) International Standard on Assurance Engagements [ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information].

Scope

The scope of our assurance included data and information on material aspects of the proposed green bond for SGD100 million to be issued in April 2017 based on the requirements set out in the Pre-Issuance Requirements section of the Climate Bonds Standard Version 2.0 as listed below:

- Selection of Nominated Projects & Assets
- Internal Processes & Controls
- Reporting Prior to Issuance

Approach

We planned and performed our work to obtain all the evidence, information and explanations that we considered necessary to obtain a meaningful level of assurance in relation to the above scope. The procedures we performed, which are set out in more detail below, were based on our professional judgment and included, as appropriate, inquiries, observation of processes performed, inspection of documents, evaluating the appropriateness of reporting policies and agreement or reconciliation with underlying records. We believe that the procedures we have performed and the evidence we have obtained are sufficient and appropriate to provide a basis for our limited assurance conclusion.

To reach our conclusion we:

- Conducted interviews with management and key staff responsible for the green bond to obtain an understanding of the processes, systems and controls in place for management of bond proceeds;
- Checked the Issuer's Green Bond Framework that includes processes, systems and controls in place for management of bond proceeds; investment areas for green bond proceeds and intended types of temporary investment instruments for the management of unallocated proceeds; and
- Checked the list of type of projects which are proposed to be associated with the green bond and their conformance with eligibility requirements specified in Part B of the Climate Bonds Standard.

Exclusions

Our assurance process was subject to the following limitations as we have not been engaged to:

- Determine which, if any, recommendations should be implemented
- Provide assurance on information outside the defined Green Bond Framework boundary
- Verify the Issuer's financial statements & economic performance
- Verify the Issuer's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention and national or global socio-economic and environmental aspects provided by the Issuer

Independence

The assurance was conducted by a multidisciplinary team including professionals with suitable skills and experience in auditing environmental, social and economic information in line with the requirements of ISAE 3000 standard. Our work was performed in compliance with the requirements of the IFAC Code of Ethics for Professional Accountants, which requires, among other requirements, that the members of the assurance team (practitioners) as well as the assurance firm (assurance provider) be independent of the assurance client, in relation to the scope of this assurance engagement. The Code also includes detailed requirements for practitioners regarding integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. KPMG has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence. The firm applies ISQC 1 and the practitioner complies with the applicable independence and other ethical requirements of the IESBA code.

Management's responsibility

The Management of the Issuer is responsible for ensuring that the Issuer and their green bond complies with the requirements of the Climate Bonds Standard. This responsibility includes designing, implementing and maintaining systems and processes relevant for the management of green bond proceeds.

The Management of the Issuer is also responsible for preventing and detecting fraud and for identifying and ensuring that Issuer complies with laws and regulations applicable to its activities.

Our responsibility

Our responsibility is to report in the form of an independent limited assurance conclusion in relation to the above scope based on the procedures performed and the evidence obtained. We conducted our engagement with a multidisciplinary team which included professionals with suitable skills and experience in auditing environmental, social and economic information in line with the requirements of ISAE 3000 standard.

This assurance report is made solely to Issuer in accordance with the terms of our engagement, which include agreed arrangements for disclosure. Our work has been undertaken so that we might state to Issuer those matters we have been engaged to state in this assurance report and for no other purpose. Our assurance report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Issuer for any purpose or in any context. Any party other than Issuer who obtains access to our assurance report or a copy thereof and chooses to rely on our assurance report (or any part thereof) will do so

at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Issuer for our work, for this independent limited assurance report, or for the conclusions we have reached.

Conclusion

The following conclusion is based on the work performed, evidence obtained and the scope of our assurance engagement described above.

Nothing has come to our attention to suggest that the framework to be used for issuance of a green bond of SGD100 million in April 2017 by the Issuer, is not, in all material respects, conforming to the Pre-Issuance requirements of the Climate Bonds Standard.

The list of testing procedures carried out are provided in Appendix A along with the list of documents reviewed in Appendix B.

The proceeds of the green bond are proposed to be used to repay SGD100 million loan which financed retrofit and upgrade projects for Republic Plaza, a flagship building of CDL in Singapore. Several projects undertaken between 2010 and 2015 are estimated to have resulted in emission reductions of about 2,816 tCO₂ per year which on comparison with the Republic Plaza's emissions in 2009 translates to about 33% reduction in emissions, thus meeting the minimum criteria set for Upgrade projects under Low Carbon Buildings. A complete list of these projects is provided in Appendix C.

Appendix A

Assessment of Issuer Green Bonds Framework against Pre-Issuance Requirements of Climate Bonds Standard Version 2.0

Pre-Issuance Requirements of Climate Bonds Standard	KPMG Assessment	Supporting Documentation
1. Selection of Nominated Projects & Assets		
<p>1.1. The Issuer shall establish, document and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects & Assets. This includes, without limitation:</p>	<p>Issuer has prepared a Green Bond Framework that sets out how it proposes to use the proceeds of a green bonds of SGD100 million in April 2017 to repay a loan which financed retrofit and upgrade projects for Republic Plaza, a flagship building of CDL in Singapore.</p> <p>It includes a process for the evaluation and selection of nominated projects and assets as per the criteria defined under Use of Proceeds:</p> <p>Eligible projects below SGD1 million will be selected for refinancing through bond proceeds by the CEO and CFO. Projects over SGD1 million will be selected by the Tender Committee, which is made up of the Group General Manager, CFO, and CEO.</p>	<ul style="list-style-type: none"> Green Bond Framework
<p>1.1.1. a statement on the environmental objectives of the bond</p>	<p>The environmental objectives of the bond are to refinance retrofit and upgrade projects for Republic Plaza, a flagship building of CDL in Singapore.</p>	<ul style="list-style-type: none"> Green Bond Framework
<p>1.1.2. a process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part B of the Climate Bonds Standard</p>	<p>The proceeds of the bond will only be used to refinance retrofit and upgrade projects for Republic Plaza in Singapore which meet the eligibility requirements specified under 'Upgrade projects' for 'Low Carbon Buildings' in Part B of the Climate Bonds Standard. Issuer's process for evaluation and selection of nominated projects and assets assesses their eligibility with respect to this criteria.</p>	<ul style="list-style-type: none"> Green Bond Framework
<p>1.2. The Issuer shall assess that all proposed Nominated Projects & Assets to be associated with the bond meet the bond's documented objectives as stated under Clause 1.1 and are likely to conform with the relevant eligibility requirements under Part B of the Climate Bonds Standard.</p>	<p>The proceeds of the bond will be allocated towards repayment of SGD100 million loan which financed retrofit and upgrading projects for Republic Plaza. Several projects undertaken between 2010 and 2015 are estimated to have resulted in emission reductions of about 2,816 tCO₂ per year which on comparison with the building's emissions in 2009 i.e. 8,553 tCO₂ translates to about 33% reduction in emissions, thus meeting the minimum criteria set for Upgrade projects under Low Carbon Buildings. A complete list of these</p>	<ul style="list-style-type: none"> Green Bond Framework Appendix 1: Sample Eligible Retrofit Projects Financed through Loan Electricity Consumption and Emissions for Republic Plaza from 2006 to 2016

Pre-Issuance Requirements of Climate Bonds Standard	KPMG Assessment	Supporting Documentation
	projects is provided in Appendix C. Thus, the proposed Nominated Projects & Assets are likely to conform to the relevant eligibility requirements under Part B of the Climate Bonds Standard.	<ul style="list-style-type: none"> Estimate of energy and emission reductions from chiller plant upgradation in Phase 1 and 2
1.3. The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Projects & Assets which can be kept up-to-date during the term of the bond.	Issuer has documented the nominated projects and assets proposed to be associated with the bond and these have been assessed as likely to be eligible as per the requirements under Part B of the Climate Bonds Standard. The projects would include retrofit and upgrade projects for Republic Plaza.	<ul style="list-style-type: none"> Green Bond Framework Appendix 1: Sample Eligible Retrofit Projects Financed through Loan Green Bond Framework Appendix 2: Description of Potential New Eligible Projects
1.4. Nominated Projects & Assets shall not be nominated to other Climate Bonds unless it is demonstrated by the Issuer that distinct portions of the Nominated Projects & Assets are being funded by different Climate Bonds or that the existing Climate Bond is being refinanced via another Climate Bond.	This is the first green bond issuance by the Issuer, hence the nominated projects and assets cannot be already nominated to other Climate Bonds.	<ul style="list-style-type: none"> Green Bond Framework
1.5. The expected Net Proceeds of the bond shall be no greater than the Issuer's debt obligation to the proposed Nominated Projects & Assets, or the Fair Market Value of the proposed Nominated Projects & Assets.	The Fair Market Value of Republic Plaza is well in excess of the expected net proceeds of the bond i.e. SGD100 million.	<ul style="list-style-type: none"> Draft Information Memorandum dated 7 November 2016
2. Internal Processes & Controls		
2.1. The systems, policies and processes to be used for management of bond funds and investments made shall be documented by the Issuer and disclosed to the Verifier, and shall include arrangements for the following activities:	Issuer has prepared a Green Bond Framework that sets out how it proposes to use the proceeds of a green bond of SGD100 million in April 2017 to repay a loan which financed retrofit and upgrade projects for Republic Plaza. It includes processes for selection and evaluation of projects, management of proceeds and annual reporting.	<ul style="list-style-type: none"> Green Bond Framework
2.1.1. Tracking of proceeds: The Net Proceeds of the bond can be credited to a sub-account, moved to a sub-portfolio, or otherwise	For this bond issue, Issuer will immediately allocate all proceeds towards repayment of loan of SGD100 million loan extended by CDL to finance eligible retrofit and upgrade projects for Republic Plaza.	<ul style="list-style-type: none"> Green Bond Framework

Pre-Issuance Requirements of Climate Bonds Standard	KPMG Assessment	Supporting Documentation
tracked by the Issuer in an appropriate manner and documented.		
2.1.2. Managing unallocated proceeds: The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 6.2	Since the Issuer will immediately allocate all proceeds, there would be no unallocated proceeds during the bond tenure.	<ul style="list-style-type: none"> Green Bond Framework
2.1.3. Earmarking funds to Nominated Projects & Assets: An earmarking process that can be used to manage and account for funding to the Nominated Projects & Assets and enables estimation of the share of the Net Proceeds being used for financing and refinancing.	For this bond issue, Issuer will immediately allocate all proceeds towards repayment of loan of SGD100 million loan extended by CDL to finance eligible retrofit and upgrade projects for Republic Plaza.	<ul style="list-style-type: none"> Green Bond Framework
3. Reporting Prior to Issuance		
3.1. The Issuer shall disclose in the Bond Disclosure Documentation:	The Bond Disclosure Documentation has not been finalized at the time of this assessment. However, Issuer's Green Bond Framework addresses the reporting requirements prior to bond issuance.	<ul style="list-style-type: none"> Green Bond Framework
3.1.1. The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall.	Issuer's Green Bond Framework confirms that bond proceeds will be applied to repay a loan which financed retrofit and upgrade projects for Republic Plaza. This investment area fall under the sub-head of 'Upgrade projects' under 'Low Carbon Buildings'.	<ul style="list-style-type: none"> Green Bond Framework
3.1.2. The intended types of temporary investment instruments for the management of unallocated proceeds in accordance with Clause 2.1.2.	Issuer's Green Bond Framework confirms that for this bond issuance, all proceeds will be allocated immediately and there would be no unallocated proceeds during the bond tenure.	<ul style="list-style-type: none"> Green Bond Framework
3.1.3. The approach the Verifier has taken to pre-issuance procedures (i.e., whether an Assurance Engagement or an Agreed-Upon Procedures Engagement was undertaken)	Issuer has appointed a Verifier to undertake an assurance engagement during the pre-issuance stage.	<ul style="list-style-type: none"> Green Bond Framework
3.1.4. Whether periodic Assurance Engagements will be undertaken during the term of the bond to reaffirm conformance with the Climate Bonds Standard, and the expected frequency of any periodic Assurance Engagements	Issuer's Green Bond Framework confirms that Issuer will get annual verification of proceeds done by its auditor in appointment for that year.	<ul style="list-style-type: none"> Green Bond Framework

Pre-Issuance Requirements of Climate Bonds Standard	KPMG Assessment	Supporting Documentation
Sector-specific technical criteria: Upgrade projects – Low Carbon Buildings		
<p>For a 30-year bond, a carbon reduction target of at least 50% is required to meet the ambition of Climate Bonds Initiative. For a 5-year bond, the carbon reduction target is at least 30%.</p> <p>Carbon reduction targets for different term bonds can be derived using a linear equation based on a 50% target for a 30-year bond and a 30% target for a 5-year bond.</p>	<p>Several retrofit and upgrade projects for Republic Plaza undertaken between 2010 and 2015 have resulted in emission reductions of about 2,816 tCO₂ per year. When compared with the building's emissions in 2009 i.e. 8,553 tCO₂ this translates to about 33%, thus meeting the minimum criteria set for Upgrade projects. A complete list of these projects is provided in Appendix C.</p>	<ul style="list-style-type: none"> • Green Bond Framework • Electricity Consumption and Emissions for Republic Plaza from 2006 to 2016 • Estimate of energy and emission reductions from chiller plant upgradation in Phase 1 and 2
<p>Property upgrade contracts that do not specify a percentage carbon abatement (relative to a business-as-usual baseline) can qualify for Climate Bonds Certification as long as the percentage carbon abatement can be quantified (e.g. through modelling).</p>	<p>While the Issuer does not have upgrade contracts specifically mentioning a percentage carbon abatement, the energy saving and corresponding emission reductions for retrofit and upgrade projects have been estimated and reported in their annual Integrated Sustainability Report.</p>	<ul style="list-style-type: none"> • Green Bond Framework • Estimate of energy and emission reductions from chiller plant upgradation in Phase 1 and 2
<p>There are annual reporting requirements for commercial property assets, in accordance with the terms of the performance contract or upgrade agreement of the relevant scheme. This is aligned with the Low Carbon Buildings Standard requirements for Commercial Property.</p>	<p>Issuer will report annually on Republic Plaza's energy and water performance in accordance with the standards set by Building & Construction Authority (BCA).</p>	<ul style="list-style-type: none"> • Green Bond Framework

Appendix B

List of documents reviewed

- Issuer's Green Bond Framework including following appendices:
 - Appendix 1: Sample Eligible Retrofit Projects Financed through Loan
 - Appendix 2: Description of Potential New Eligible Projects
 - Appendix 3: Sustainalytics' ESG Assessment of CDL
 - Appendix 4: Requirements for BCA Green Mark Platinum Certification
 - Appendix 5: Adherence to Green Bond Principles 2016
- Draft Information Memorandum dated 7 November 2016
- Issuer's Sustainability Report 2016
- Electricity Consumption and Emissions for Republic Plaza from 2006 to 2016
- Estimate of energy and emission reductions from chiller plant upgradation in Phase 1 and 2

Appendix C

Sample list of retrofit projects for Republic Plaza undertaken since 2010

Year of work	Description / Main Objectives Achieved	Estimated Energy Savings (kWh per year)	Estimated Emission Savings (kgCO ₂ per year)
2010	Lift interior lights: replacement of halogen lights with energy efficient lights that emit less heat. User comfort raised and energy usage reduced	27,000	13,724
2011	Toilet lights upgrade: infra-red motion sensors installed in toilets. Reduced energy usage effectively	171,000	86,954
2012	Retrofitting of chiller plants (Phase 1): significantly raised energy efficiency of air conditioning of the building	3,100,000	1,522,720
2012	Lobby lighting at Level 1 & 2 at Tower 1: small scaled upgrading but some energy savings achieved	10,000	4,912
2012	Common areas lighting upgrading: converted lighting to T5 and raised energy efficiency substantially	289,926	142,412
2013	Atrium lighting upgrading: raise level of comfort for visitors and tenants, and increased energy efficiency	25,112	11,298
2013	Carpark lighting upgrading: adoption of light emitting diode (LED) lights with motion sensor significantly raised energy efficiency	169,585	76,296
2013	Staircase lighting: motion detector installed for all staircases and replacement of T8 lighting to T5. Both initiatives contributed to tremendous energy savings	172,299	77,517
2015	Upgrading of lighting to T5 fittings for offices	196,923	84,933
2015	Retrofitting of chiller plants (Phase 2) for air conditioning: further raised energy efficiency	1,800,000	776,340
2015	Façade crown lighting from neon to LED: raised energy efficiency and gave a more modern and dynamic look to the building	44,388	19,145
TOTAL		6,006,233	2,816,250



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