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SUSTAINABILITY REPORT

BOARD STATEMENT

Dear Stakeholders,

Sustainability has always been embedded in our way of business. This year, in line with the newly implemented Sustainability Reporting requirements, the H-REIT Manager and the HBT Trustee-Manager, as Manager and Trustee-Manager of H-REIT and HBT respectively (collectively the “**Managers**”) took the opportunity to formalise its strategy and targets for CDLHT. In this report, the Managers will share the targets that were reviewed by both the H-REIT Manager Board and the HBT Trustee-Manager Board (together the “**Managers’ Boards**”) which serve to oversee management and monitor the Environmental, Social and Governance (“**ESG**”) factors that are material to CDLHT.

Having determined the material ESG factors, the Managers’ Boards have set out several key focus areas for CDLHT and our stakeholders. During this process, the H-REIT Manager worked closely with its master lessees and the operators of the Singapore Hotels, who in turn, integrated elements of sustainability in their operations to add value for our stakeholders and to ensure that the growth of our business would incorporate sustainability efforts. We have showcased a few examples of such endeavors in the subsequent sections of this report.

This is the fifth year CDLHT has provided an update on sustainability but this year marks a milestone because the Singapore Exchange Limited (“**SGX**”) has made it mandatory for all listed companies to produce a formal report on their sustainability practices. CDLHT is taking a progressive approach regarding its sustainability reporting. Our first mandatory sustainability report for 2017 presents and discusses sustainability within our Singapore portfolio. The scope of our report is expected to expand gradually over the years to include our overseas portfolio.

CDLHT’s material ESG factors are namely: *Economic Performance, Employment, Workplace Health & Safety, Corporate Governance and Energy*. For FY 2017, CDLHT has delivered on its financial performance. The Singapore Hotels have also delivered on their operating outcomes and are heading towards having their Greenmark programme re-certification by the Building & Construction Authority (“**BCA**”) along with proactive energy savings initiatives such as L.E.D lighting conversions. As a result of the continued efforts of CDLHT’s environmentally-conscious hotel operators, the Singapore Hotels have been awarded several noteworthy sustainability accolades in recent years, including the following:

Environmental Awards:**ASEAN Green Hotel Award**

Novotel Singapore Clarke Quay (2016 - 2018)
Grand Copthorne Waterfront Hotel (2012 - 2014)

ASEAN Energy Award

Copthorne King’s Hotel (2013, Winner for Retrofitted Category)

Singapore Green Hotel Award

Novotel Singapore Clarke Quay (2015 - 2017)
Grand Copthorne Waterfront Hotel (2015 - 2016)
M Hotel Singapore (2013, 2015 - 2016)

BCA Green Mark Award

Orchard Hotel (2016 - 2018, Gold)
M Hotel Singapore (2015 - 2018, Gold Plus)
Grand Copthorne Waterfront Hotel (2015 - 2018, Platinum)
Studio M Hotel (2015 - 2018, Gold)
Copthorne King’s Hotel (2014 - 2017, Platinum)
Novotel Singapore Clarke Quay (2013 - 2017, Gold Plus)

Our sustainability approach is centred on the need to ensure that material ESG factors are managed across all our properties. While the Managers’ Boards’ role is to determine CDLHT’s sustainability direction and strategies, the management team of CDLHT’s Managers and the hotel operators of CDLHT’s properties ensure that the sustainability strategies and initiatives are carried out as planned.

As the business continues to grow, the Managers’ Boards are fully committed to supporting the Managers of CDLHT and the master lessees and hotel managers of CDLHT’s properties in maintaining our leadership and dedication to the best practices in governance and sustainability for continued long-term business growth and enhancement of portfolio value for our stakeholders.

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ABOUT THIS REPORT

CDLHT produced its first report in compliance with SGX Listing Rule 711A/B requirements. This report provides information on the ESG material factors relating to the sustainability performance of CDLHT. It is written for stakeholders who are interested in understanding and assessing CDLHT's ability to create a sustainable business over time.

SCOPE AND PERIOD

The report covers sustainability performance from 1 January 2017 to 31 December 2017. Taking a phased approach to sustainability reporting, the Singapore Hotels, being Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King's Hotel, Studio M Hotel and Novotel Singapore Clarke Quay, were scoped in for the first year. The scope of reporting was validated based on the materiality of its entities, feasibility of assessment and availability of data.

For specific enquiries on the sustainability report, please kindly contact CDLHT at (enquiries@cdlht.com) for further clarification.

REPORTING FRAMEWORK

CDLHT adopted the Global Reporting Initiative ("**GRI**") as its reporting framework. The content of this report was developed with reference to the GRI (2016) standards and includes the primary components set out in SGX listing rules 711B on a 'Comply or Explain' basis.

BOARD APPROVAL

The Managers' Boards are responsible for approving the Sustainability Report, which is aligned with the SGX Sustainability Reporting requirements ⁽¹⁾. Moving forward, the Managers of CDLHT will integrate the ESG factors into key strategic formulation, business operations and decision making processes of the Group. CDLHT's first sustainability report was approved by the Managers' Boards on the 5 March 2018.

MANAGING SUSTAINABILITY

CDLHT's commitment to sustainability has been shaped by the Group's core values of creating sustainable business growth together with its stakeholders.

- Commitment to the Environment

CDLHT promotes a holistic approach to sustainability, focusing on effective resource utilisation, energy cost efficiency and asset enhancement to promote responsible resource consumption.

- Commitment to the Community

CDLHT believes that people are the most precious assets and that continuous efforts should be taken to provide a better working environment for employees of its hotels (including that of its hotel operators), as well as reliable service to customers and support to the community.

SUSTAINABILITY GOVERNANCE STRUCTURE

The Managers' Boards are responsible for overseeing sustainability management and monitoring material factors. As a strategic advisor for sustainability strategy, the ARC convenes at least once a year to review and challenge the Group's ESG performance and initiatives.

To drive sustainability initiatives across all CDLHT, CDLHT has implemented a robust sustainability governance structure. Leading the sustainability strategy is the CEO of the Managers, Mr Vincent Yeo Wee Eng, who, in consultation with the Managers' Board, is responsible for key decisions. He also oversees the sustainability performance of the group through the newly created Sustainability Steering Committee ("**SSC**"). Its members meet on a regular basis to monitor CDLHT's sustainability performance.

(1) Please refer to SGX Listing rules 711 and 711B

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STAKEHOLDER ENGAGEMENT

The sustainability strategy comes from the need to continually learn from stakeholders. Through regular dialogue and consideration of their expectations, CDLHT is better positioned to anticipate and react to the growing ESG challenges.

Regular engagement with key stakeholders by CDLHT is achieved through the following structure:

Table 1: CDLHT's approach to engage stakeholders

Stakeholders	How to Engage
Board of Directors	<ul style="list-style-type: none"> • Board meetings • Regular communication
Government and Regulators	<ul style="list-style-type: none"> • Briefings and consultations on social and environment related legislations • Participation in surveys and focus groups
Employees	<ul style="list-style-type: none"> • Staff trainings and transition assistance programs. • Annual employment survey • Performance and career development reviews • Staff meetings and talks • Staff bonding events (family day, department trip or team dinner) • Staff magazines and newsletters, intranet and social media
Hotel Guests	<ul style="list-style-type: none"> • Customer satisfaction surveys • Social media platform • Through the General Manager
Master Lessees and Hotel Managers	<ul style="list-style-type: none"> • Regular management meetings and communication • Bilateral communication, one-on-one meetings and site visits
Managers of CDLHT	<ul style="list-style-type: none"> • Annual General Meetings • Ongoing communication
Investors	<ul style="list-style-type: none"> • Annual and interim results briefings and analyst meetings • Investor relations website • Local and overseas investor conferences and road shows
Others (Media, Community, Suppliers and business partners)	<ul style="list-style-type: none"> • Media releases, press conferences and interviews • Trainings, donations and sponsorships, and staff volunteerism • Meetings with business partners • Assessment of suppliers and vendors

MATERIALITY ASSESSMENT

To identify its reporting focus and determine the strategic approach towards sustainability, CDLHT conducted a materiality assessment to identify ESG factors that most significantly influence its business and key stakeholders. The materiality of the ESG factors was assessed in the context of CDLHT's entire value chain. CDLHT has identified five key ESG factors that are believed to be material to the Group. They are:

- Economic Performance
- Energy
- Employment
- Work place Health & Safety
- Corporate Governance

CDLHT has committed to review the materiality and refine its materiality assessment practices on an annual basis.

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MATERIAL ASPECT - ECONOMIC

Business begins with value creation. CDLHT's objectives are to maximise the rate of return for Stapled Security Holders and to make regular distributions. The Managers of CDLHT plans to achieve these objectives through pursuing a three-pronged strategy of acquisition growth, proactive asset management and disciplined capital and risk management.

A comprehensive discussion of CDLHT's FY 2017 financial performance can be found on pages 20 to 27 of this Annual Report.

ECONOMIC PERFORMANCE

FY 2017, CDLHT recorded robust yoy NPI growth of 10.3% to S\$151.8 million. This was supported by inorganic contribution from The Lowry Hotel and Pullman Hotel Munich, as well as stellar performance from the New Zealand Hotel, which recorded an NPI growth of 46.3%. NPI of the Singapore Hotels remained stable while there was higher contribution from Claymore Connect. This improvement helped to offset weaker contributions from the Japan Hotels and Maldives Resorts, as well as lower contribution from Hilton Cambridge City Centre.

Net finance costs for FY 2017 was lower by S\$5.7 million, mainly due to savings in interest expense largely from the use of rights issue proceeds to repay existing borrowings, as well as lower exchange losses (which has no impact on the distributable income of CDLHT).

Overall, total distribution to Stapled Security holders (after retention for working capital) for FY 2017 ⁽¹⁾ increased 11.3% yoy to S\$110.3 million. Due to the enlarged stapled security base from the rights issue, DPS for FY 2017 was 9.22 cents, lower compared to 9.63 ⁽²⁾ cents in the same period last year. Excluding the effect of the rights issue, DPS for FY 2017 would be 11.04 cents, an increase of 10.4% yoy.

FY 2017 Financial Highlights:

	FY 2017 S\$'000	FY 2016 S\$'000	Increase/ (Decrease) (%)
Revenue	204,315	180,857	13.0
NPI	151,760	137,560	10.3
Total distribution to Stapled Security Holders (after retention and including capital distribution)	110,346	99,124	11.3
DPS (after retention and including capital distribution) (cents) ⁽³⁾	9.22	9.63	(4.3)
<u>For information only</u>			
DPS excluding effect of rights issue (after retention and including capital distribution) (cents)	11.04	10.00	10.4

PERFORMANCE MEASUREMENT

Further details on our economic value can be found throughout the Annual Report. An overview can be found from Page 10, whilst the Group's financial statements can be found on pages 113 to 221.

- (1) Includes income from the Japan Hotels. Distribution from the Japan Hotels occurs twice yearly, at six months intervals (contribution from 1 October to 31 March will be distributed in 2Q and that of 1 April to 30 September in 4Q).
- (2) For the year ended 31 December 2016, DPS has been restated to reflect the effect of bonus element in the rights issue, arising from exercise price being lower than the market price of the Stapled Securities.
- (3) On 2 August 2017, 199,545,741 new Stapled Securities were issued pursuant to the rights issue. DPS before and after retention for the quarter and year ended 31 December 2016 have been restated to reflect the effect of bonus element in the rights issue, arising from exercise price being lower than the market price of the Stapled Securities.

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MATERIAL ASPECT - ENVIRONMENTAL

ENERGY

The hotels' energy consumption is important to CDLHT's operations since it has a direct impact on its environmental and carbon footprint. CDLHT and its appointed master lessees and hotel managers are keen to monitor and manage energy consumption in order to reduce operational cost and minimise the negative impact on the environment. In this report, CDLHT's disclosure on energy focuses on electricity usage of the Singapore Hotels.

MANAGEMENT APPROACH

For the past several years, the Managers have placed emphasis on improving electricity and water efficiency. CDLHT has translated these ambitions into concrete initiatives where CDLHT's properties have been awarded several noteworthy sustainability accolades in the recent years, including ISO 9001 and ISO 14001 BCA Green Mark, ASEAN Green Hotel Award, and PUB Water Efficient Building Award.

Currently, all of the Singapore Hotels are BCA Green Mark certified. Specifically, Grand Copthorne Waterfront Hotel and Copthorne King's Hotel achieved the BCA Green Mark Platinum Award (the highest certification under the BCA Green Mark accreditation system).

Additionally, Novotel Singapore Clarke Quay has invested in energy efficient technologies, including using electricity-saving equipment such as LED lighting, implementing an SS577 water efficient management system, replacing chillers, Air Handling Units and Fan Coil Units and rolling out green initiatives by giving guests the option to have linen and/or towels changed once every two to three days, instead of on a daily basis. To raise awareness on environmental matters, Novotel Singapore Clarke Quay also appointed a Green Ambassador in each department to promote an energy saving culture and share information and costs on hotel energy usage.

PERFORMANCE MEASUREMENT

CDLHT measures the electricity consumption of the Singapore Hotels in kWh which allows a fair comparison of the efficiency of the Singapore Hotels over a period of time.

Table 2: CDLHT's Performance Measurement – Electricity consumption

Performance measurement	Average over 3 years	FY 2017
Electricity consumption across Singapore Hotels (in kWh)	7,899,917	7,585,560

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TARGET AND KEY INITIATIVES

CDLHT's future sustainability efforts will include having H-REIT's Singapore Hotels working towards re-certification of the BCA Green Mark within the next two years, keeping in mind the need to maintain or to attain higher certification by having continual planning and investment to improve energy efficiency across the Singapore Hotels.

When it comes to ways to reduce energy consumption and impact on the Earth, there are a number of changes that can be made to allow hotel guests participate in CDLHT's environmental efforts. For instance, control of lights through motion-sensors has been deployed across some of Singapore Hotels. In Grand Copthorne Waterfront Hotel, LED motion sensor light fittings have been installed in the common area toilets as well as in the escape staircases aid in energy conservation through dimming lights down to 30% when no movement is detected. Similar initiatives have been replicated in Studio M Hotel and Orchard Hotel.

CDLHT will continue to focus on adopting energy efficiency technologies. The Singapore Hotels are currently implementing more initiatives such as the replacement of conventional lighting to energy efficient LED lighting, the modernization of elevators to regenerative models and upgrading of hot water plants with a higher coefficient of performance.

CDLHT aims to reduce at least 2% of the electricity consumption of the Singapore Hotels (over the average of the last three years' consumption) in terms of kWh. Data is tracked monthly. CDLHT will alert the hotel operators of any spike in consumption to have them look into remedies to rectify the situation.

Copthorne King's Hotel was the first hotel amongst the Singapore Hotels to achieve a BCA Green Mark certification. The overall calculated return on investment on energy efficient equipment was less than four years and the hotel is currently operating at a much lower utility cost without sacrificing customer satisfaction.

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MATERIAL ASPECT – SOCIAL

EMPLOYMENT

The hospitality industry has one of the highest turnover rates in Singapore. A large proportion of the hospitality industry's workforce is made up of part-time, seasonal and casual employees, which has created challenges in terms of training, maintaining service standards and controlling labour costs. The commitment of the employees of the Singapore Hotels' operators will help drive the success of CDLHT. High turnover leads to:

- loss of invaluable experience and knowledge within the business; and
- loss of time, effort and investment made into the employees' learning and development, both informal and formal, to reach their full potential.

MANAGEMENT APPROACH

The emphasis on the importance of employee satisfaction and retention is essential to create a positive work environment through strengthening an employee's commitment to the organisation and as a result, both the individual contributes to company goals while achieving their personal objectives.

The operators of CDLHT's Singapore Hotels have developed strong policies and procedures to manage their employee recruitment process and maintain a low employee turnover rate, which can be found in their Employee Handbook. There are also a few initiatives rolled out by one of the hotel operators, M&C, to improve their employee satisfaction and loyalty, such as staff recognition awards, birthday vouchers, accommodation and F&B discounts and Chocolate Wednesday @ Hotels.

When dealing with sustainability, the challenge is to ensure that decisions cascade down the organisation and CDLHT recognises the importance of operationalising sustainability efforts. The hotel operators strongly encourage employee personal development and training to achieve a consistently high level of service. In 2017, AccorHotels, the operator of Novotel Singapore Clarke Quay, invested approximately 10% of annual payroll in employee education and training. In order to ensure that employees receive sufficient training, a minimum of 30 training hours is required of all levels of staff. In addition, all new staff undergo a new hire induction program over the duration of three days to help them integrate into Novotel Singapore Clarke Quay's work culture.

PERFORMANCE MEASUREMENT

The performance of the operators of the Singapore Hotels pertaining to employment is tracked through an attrition report, and an exit interview is conducted for voluntary resignations.

Table 3: CDLHT performance measurement – Singapore Hotels

- **Number of New Hires – Full Time Employment for FY 2017**

Gender	Age - 40 & Above	Age - below 40	Total (FY 2017)
Male	48	199	247
Female	33	188	221

- **Rate of Employee Turnover – Full Time Employment for FY 2017**

Gender	Age - 40 & Above	Age - below 40
Male	14%	35%
Female	11%	38%

TARGET AND INITIATIVES

With regards to new employee hires and employee turnover, one of the operators of the Singapore Hotels, M&C, aims to raise employee engagement levels and enhance and improve customer experience through OSE (Outstanding Service Experience) 2 training. The operator had conducted 8 sessions by the end of 2017. M&C intend to record a minimum attendance rate of 75% attendance rate for OSE2 training across the entire Singapore portfolio.

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MATERIAL ASPECT – WORKPLACE HEALTH & SAFETY

Much importance is placed on the safety and well-being of employees of the hotel operators. Together with the hotel operators, CDLHT takes pride in providing a safe and healthy working environment for the employees of the hotel operators, including that of its own managed hotels.

MANAGEMENT APPROACH

CDLHT recognises that the hotel operators have a responsibility as an employer to provide a safe workplace and a healthy work environment for their employees and contractors. The hotel operators undertake to comply with all regulatory health and safety requirements. They strive to adopt all practicable means to reduce hazards and reduce the risk of injury to their employees and contractors, and at the same time reduce the risk of damage to the properties.

M&C, one of the operators of the Singapore Hotels, has a Properties, Workplace Safety, Health and Security committee, of which its members hold monthly meetings. The meeting is chaired by a Director of Safety and Security in Singapore, with the general manager of the respective hotels acting as the advisor, and is attended by representatives from all departments. Orchard Hotel's 360 degree approach to health and safety is an illustration of values espoused by M&C. Orchard Hotel constantly looks into ways to improve and enhance efforts to provide a safe environment to stakeholders with regular health and safety trainings, formal communication, safety on work sites, security operations and audits. A number of measures and initiatives have been established to create a safe, healthy and comfortable work environment, and to train staff and build awareness:

- Each member of the organisation receives compulsory health and safety training as soon as they join the hotel;
- All new staff attend an orientation programme that covers health and safety topics on their first day of work including emergency response and evacuation procedures; and
- Monthly silent fire drills are conducted to ensure the CERT (Certified Emergency Response Team) is prepared for emergencies.

PERFORMANCE MEASUREMENT

Health and safety statistics were compiled for FY 2017. In alignment with the GRI standards requirements, CDLHT measured the Workplace, Health and Safety performance of the operators of the Singapore Hotels through the following indicators:

Table 4: CDLHT performance measurement – M&C

Performance measurement		FY 2017 Performance
1	Injury Rate ("WIR")	9,343
2	Occupational Disease Incidence Rate ("ODIR")	Nil
3	Accident Frequency Rate ("AFR")	11.98
4	Accident Severity Rate ("ASR")	9.89

Table 5: CDLHT performance measurement – AccorHotels

Performance measurement		FY 2017 Performance
1	WIR	500
2	ODIR	Nil
3	AFR	Nil
4	ASR	Nil

TARGET AND INITIATIVE

CDLHT targets for the operators of the Singapore Hotels to realise zero fatalities related to health and safety issues in FY 2018 and no incidents of non-compliance to workplace health and safety regulations.

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MATERIAL ASPECT – GOVERNANCE

CORPORATE GOVERNANCE

The Managers' Boards and Managers of CDLHT firmly believe that a genuine commitment to good corporate governance is essential to the sustainability of the Group's performance, and are pleased to confirm that the Group has complied with the principles and guidelines of the Code of Corporate Governance 2012, with differences in practices being set out in Corporate Governance report in the Annual Report. For further and more comprehensive details, please refer to Pages 80 to 97 of the Annual Report.

MANAGEMENT APPROACH

CDLHT considers the risks and opportunities related to its own activities, so as to create economic and financial value while meeting society's needs and challenges. The value generated by these various resources can be identified in terms of financial, human and social value creation.

CDLHT's governance structures and processes are consistent with the 16 principles of the Code of Corporate Governance 2012.

PERFORMANCE MEASUREMENT

Non-compliance with Singapore regulations may carry financial penalties. It is the responsibility of CDLHT's management to ensure that the organisation complies with applicable laws and regulations. CDLHT measures the effectiveness of its corporate governance by monitoring legal requirements ensuring that operating procedures are in place to prevent and detect non-compliance with key applicable laws and regulations.

TARGET AND INITIATIVES

CDLHT will make all reasonable efforts to prevent significant monetary fines due to non-compliance with key applicable regulations in FY 2018.