

# FIRST REAL ESTATE INVESTMENT TRUST

## SECOND PARTY OPINION

**Document title:** Second Party Opinion on First REIT's Social Finance Framework

**Prepared by:** DNV Business Assurance Singapore Pte. Ltd.

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### Disclaimer

Our assessment relies on the premise that the data and information provided by the client to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied as per scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement.

### Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct<sup>1</sup> during the assessment and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of statements or data included in the Framework except for this Statement. DNV maintains complete impartiality toward stakeholders interviewed during the assessment process.

<sup>1</sup> DNV Code of Conduct is available from DNV website ([www.dnv.com](http://www.dnv.com))

## DNV'S INDEPENDENT ASSESSMENT

### Scope and Objectives

First REIT Management Ltd ("First REIT"), is Singapore's first healthcare real estate investment trust, focused on investing in diverse healthcare and healthcare-related real estate assets within and outside of Asia. As of 30 September 2022, it has a portfolio of 32 properties across Asia, including 14 hospital facilities within Indonesia, operated by PT Siloam International Hospitals ("Siloam"), 14 nursing homes in Japan and 3 nursing homes in Singapore. These assets provide essential healthcare services to the local communities.

First REIT has stated its commitment to ensuring the highest standards of safety, quality and comfort for users and stakeholders of their properties.

It has also stated their commitment to improving the lives of people in Indonesia by contributing to the growth of Indonesia's healthcare programme by providing a platform for Siloam to be able to provide affordable healthcare services.

In line with its stated efforts to improve access to essential healthcare services, First REIT has developed the Social Finance Framework (the "Framework") under which it is issuing Social Bonds and Social Loans (collectively "Social Finance Instruments" or "SFI"), with structures tailored to contribute to sustainable development. First REIT plans to use the proceeds to refinance or finance the Eligible Projects in social development categories.

DNV Business Assurance Singapore Pte. Ltd. ("DNV")<sup>2</sup> has been commissioned by First REIT to review its Social Finance Framework and provide a Second Party Opinion on the Framework considering the alignment with:

- Social Bond Principles (2021)<sup>3</sup> ("SBP") published by the International Capital Market Association ("ICMA"); and
- Social Loan Principles (2021)<sup>4</sup> ("SLP") published by the Loan Market Association ("LMA", and collectively, "Principles")

Our methodology to achieve this is described under 'Work Undertaken' below. We were not commissioned to provide independent assurance or other audit activities.

No assurance is provided regarding the financial performance of instruments issued via the First REIT's Framework, the value of any investments, or the long-term social benefits of the transaction. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

<sup>2</sup> [https://www.dnv.sg/assurance/product\\_assurance/index.html](https://www.dnv.sg/assurance/product_assurance/index.html)

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

<sup>4</sup> <https://www.lsta.org/content/social-loan-principles-slp/>

## Responsibilities of the Management of First REIT and DNV

The management of First REIT has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform First REIT management and other interested stakeholders in the Framework as to whether the Framework is aligned with the SBP and SLP. In our work, we have relied on the information and the facts presented to us by First REIT. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by First REIT's management and used as a basis for this assessment were not correct or complete.

## Basis of DNV's opinion

We have adapted our assessment methodology to create the First REIT-specific Eligibility Assessment Protocol (henceforth referred to as "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion.

As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the four core components:

### 1. Use of Proceeds

The Use of Proceeds criteria are guided by the requirement that an issuer of a bond/a borrower of a loan must use the funds raised to finance eligible activities. The eligible activities should produce clear social benefits.

### 2. Process for Project Evaluation and Selection

The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a bond/a borrower of a loan should outline the process it follows when determining eligibility of an investment using bond/loan proceeds and outline any impact objectives it will consider.

### 3. Management of Proceeds

The Management of Proceeds criteria are guided by the requirements that a bond/loan should be tracked within the organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.

### 4. Reporting

The Reporting criteria are guided by the recommendation that at least annual reporting should be made of the use of proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

## Work Undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by First REIT in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of a Protocol, adapted to the purpose of the Framework, as described above and in Schedule 3 to this Assessment;
- Assessment of documentary evidence provided by First REIT on the Framework and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Review of published materials shared by First REIT to DNV and First REIT's website;
- Discussions with First REIT's management, and review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

## Findings and DNV's Opinion

DNV's findings are listed below:

### 1. Use of Proceeds

First REIT intends to use the proceeds from SFIs issued under the Framework to finance or refinance, in whole or in part, new or existing Eligible Social Project Categories. The framework defines the following eligible project categories.

#### *Eligible Social Project Categories*

- Access to essential services

DNV undertook an analysis of the associated project type to determine the eligibility as "Social" in line with the SBP and SLP. First REIT has provided tables mapping its Eligible Social Categories and the United Nations Sustainable Development Goals ("UN SDGs"). The outlined types of projects within each category and associated selection criteria are provided in the Framework in order to determine eligibility.

DNV concludes that the eligible categories outlined in the Framework are consistent with the categories outlined in the SBP and SLP.

### 2. Process for Project Evaluation and Selection

The Framework describes the process for project evaluation and selection. Potential projects to which proceeds is used under the Framework will be identified and selected by the Social Finance Working Group (SFWG), chaired by the Chief Financial Officer, and comprising of members from several departments; Investor relations, asset management, Finance and Legal & Compliance.

First REIT has set out a procedure for this process including a process flow for each stage and responsible parties.

DNV concludes that First REIT's Social Finance Framework appropriately describes the process of project evaluation and selection.

### 3. Management of Proceeds

First REIT will track investments in eligible projects in a portfolio approach, managed by SFWG. First REIT will ensure that the level of allocation for the Eligible Portfolio matches or exceeds the balance of net proceeds from its outstanding social financing instrument(s) after adjustments for intervening circumstances including, but not limited to, repayments and disbursements. Additional Eligible Assets will be added to First REIT's Eligible Portfolio to the extent required to ensure that the net proceeds from outstanding social financing will be allocated to Eligible Assets.

They have established internal monitoring systems to track and record the allocation of the net proceeds such that it is in line with the Use of Proceeds section and explained the procedures in the case of unallocated proceeds, in accordance with First REIT's investments and treasury policy.

DNV has reviewed the evidence presented and can confirm that the proceeds arising from the future issuances will be appropriately managed.

### 4. Reporting

First REIT intends to report on the use of proceeds annually for effective communication with related stakeholders including investors. This report can be published as a standalone Social Finance Report or as part of the annual report. These reports can be found on First REIT's website.

First REIT has stated that all reporting will be in line with applicable market standards for social debt issuance including the SBP and SLP.

DNV can confirm that First REIT's Social Finance Framework appropriately describes the procedures of reporting in line with SBP and SLP.

On the basis of the information provided by First REIT and the work undertaken, it is DNV's opinion that the First REIT's Social Finance Framework meets the criteria established in the Protocol and are aligned with SBP and SLP.

**for DNV Business Assurance Singapore Pte Ltd.**

Singapore / 31 January 2023



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**N Sathishkumar**  
**Lead Verifier**



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**Mark Robinson**  
**Technical Reviewer**

## Schedule 1. Description of Categories to be financed or refinanced through First REIT's Social Financing Transactions

Eligible Social Project Categories	Eligible Criteria and Description	DNV Findings
Access to essential services	<ul style="list-style-type: none"> <li>• Financing and/or refinancing of existing assets and its related costs, and/or future investments and related acquisition costs for healthcare and/or healthcare-related facilities falling within one of the following categories:</li> <li>• Hospitals offering essential healthcare services to the general population in Indonesia or other countries that have an average number of hospital beds per 1,000 people below the East Asia &amp; Pacific (excluding high income) average of 3.7; and/or</li> <li>• Nursing Homes with a target elderly population (defined as aged 65 and above and in need of nursing care), in Australia, Japan, Singapore or other countries whose elderly population, as a proportion of the country's total population, is higher than the global average according to the World Bank (10% as of 2021). Any other class of healthcare properties that have a direct social impact on its target population ("Other Eligible Assets"); where target population is defined as people in need of medical care and support within a reasonable distance from the specific healthcare property.</li> </ul>	DNV is of the opinion that eligible category outlined in the Framework is aligned with the SBP and SLP.

## Schedule 2. Contributions to UN SDGs

Eligible Project Categories	UN SDGs	DNV Findings
<p>Access to essential services</p> 	<p>Goal 3: Ensure healthy lives and promote well-being for all at all ages</p> <p>First REIT serves healthcare providers, namely hospitals, that accept a large range of patients from the Indonesian public. The nature of hospitals provides treatments to all target groups identified by the UN SDG Goal 3. As such, First REIT has indirect impact on all these targets.</p>	<p>DNV is of the opinion that eligible category outlined in the Framework contributes to the achievement of the UN SDGs.</p>



## Schedule 3. Eligibility Assessment Protocol

### 1. Use of Proceeds

Ref.	Criteria	Requirements	DNV Findings
1a	Type of bond / loan	<p>The bond must fall in one of the following categories, as defined by the Social Bond Principles:</p> <ul style="list-style-type: none"> <li>• Social Use of Proceeds Bond</li> <li>• Social Revenue Bond</li> <li>• Social Project Bond</li> <li>• Social Securitised Bond</li> </ul> <p>Loan instrument made available exclusively for social project (Social use of loan proceeds)</p>	<p>The First REIT Social Finance Framework (“Framework”) states that the transaction will be a social finance instrument and in doing so contributes to positive social impacts to the target population.</p> <div style="border: 1px solid black; padding: 5px;"> <p><b>From the Framework</b></p> <p><i>The net proceeds of Social Finance Instruments issued by First REIT will be used exclusively to finance and/or refinance, in whole or in part, eligible social assets (“Eligible Assets” together forming the “Eligible Portfolio”) in the following eligible category.</i></p> <p><b>Social Eligible Category</b></p> <p><i>Access to essential services</i></p> </div> <p>First REIT states that the Framework is aligned with SBP and SLP.</p> <p>The proposed social instruments fall under the “Access to essential services” category and DNV confirms this to be in line with the SBP &amp; SLP.</p>
1b	Sustainable Project Categories	<p>The cornerstone of Social Bond/Loan is the utilization of the proceeds of the bond or the loan which should be appropriately described in the legal documentation for the security.</p>	<p>Eligible project categories presented by First REIT are as follows:</p> <p>Eligible Social Project Categories</p> <ul style="list-style-type: none"> <li>• Access to essential Services</li> </ul> <p>The above-mentioned project categories meet the eligible Social Project Categories in SBP and SLP.</p> <p>First REIT has also listed explicitly the projects which do not qualify for investment.</p>
1c	Social benefits	<p>All designated Social Project categories should provide clear social benefits, which, where feasible, will be quantified or assessed by the Issuer.</p>	<p>The framework has clearly indicated that the proceeds will provide social benefits towards the following target populations:</p> <ul style="list-style-type: none"> <li>• General Population of Indonesia</li> <li>• Elderly population in need of medical support in Australia, Japan, Singapore or other countries with an elderly population of more than 10% of total population</li> </ul> <div style="border: 1px solid black; padding: 5px;"> <p><b>From the Framework</b></p> <ul style="list-style-type: none"> <li>• <i>Hospitals offering essential healthcare services to the general population in Indonesia or other countries that have an average number of hospital beds per 1,000 people below the East Asia &amp; Pacific (excluding high income) average of 3.7; and/or</i></li> <li>• <i>Nursing Homes with a target elderly population (defined as aged 65 and above and in need of nursing care), in Australia, Japan, Singapore or other countries whose elderly population, as a proportion of the country’s total population, is higher than the global average according to the World Bank (10% as of 2021).</i></li> <li>• <i>Any other class of healthcare properties that have a direct social impact on its target population (“Other Eligible Assets”); where target population is defined as people in need of medical care and support within a reasonable distance from the specific healthcare property.</i></li> </ul> </div>

Ref.	Criteria	Requirements	DNV Findings
			<p>DNV has review the proposed eligible assets. The eligible assets are deemed to be aligned with SBP and SLP.</p>
1d	Refinancing Share	In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced.	<p>In the Framework, it is clearly indicated that the net proceeds will be used to finance or refinance, in whole or in part, new or existing Eligible Social Project Categories in the framework.</p> <p><b>From the Framework</b>  <i>The net proceeds of Social Finance Instruments issued by First REIT will be used exclusively to finance and/or refinance, in whole or in part, eligible social assets ("Eligible Assets" together forming the "Eligible Portfolio") in the following eligible category.</i></p> <p>DNV considers this to be aligned with the set criteria, defined by SBP and SLP.</p>

## 2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	DNV Findings
2a	Investment-decision process	<p>The Issuer of a Social Bond and Loan should outline the decision-making process it follows to determine the eligibility of projects using Social Bond and Loan proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> <li>A process to determine how the projects fit within the eligible Social Projects categories identified in the SBP and SLP;</li> <li>The criteria making the projects eligible for using the Social Bond and Loan proceeds</li> </ul>	<p>As per the Framework, First REIT will designate the projects that meet the criteria of SBP and SLP.</p> <p><b>From the Framework</b>  <i>First REIT has established a Social Finance Working Group ("SFWG"), chaired by the Chief Financial Officer, comprising the following departments:</i></p> <ul style="list-style-type: none"> <li><i>Investor Relations</i></li> <li><i>Asset Management</i></li> <li><i>Finance</i></li> <li><i>Legal &amp; Compliance</i></li> </ul> <p><i>The SFWG is responsible for the following:</i></p> <ul style="list-style-type: none"> <li><i>Establish processes to review, select and validate the Eligible Portfolio based on the Social Finance Framework (Appendix A)</i></li> <li><i>Ensure the Eligible Portfolio does not pose significant environmental and social harm</i></li> <li><i>Report of Eligible Portfolio and its impact metrics to the Manager and the REIT's Board on a semi-annual basis</i></li> <li><i>Validate annual social bond reporting for investors</i></li> <li><i>Monitor the ongoing evolution related to sustainable capital markets in terms of disclosure/reporting to be in-line with market best practices</i></li> <li><i>Review the Social Finance Framework on an annual basis to reflect any changes with regarding to First REIT's sustainability strategies and initiatives.</i></li> </ul>

Ref.	Criteria	Requirements	DNV Findings
			The decision-making process to determine the eligibility of projects is well explained in Appendix A of the Framework. DNV finds the explanation to be in line with the SBP/SLP.
<b>2b</b>	Issuer / borrower's social and governance framework	In addition to information disclosed by an issuer on its Social Bond/Loan process, criteria and assurances, Social Bond and Loan investors may also take into consideration the quality of the issuer's overall framework and performance regarding social sustainability.	<p>First REIT has expressed a policy of lending in a responsible and sustainable manner through its website.</p> <p>First REIT has an established ESG framework in place and has been working on sustainable development related activities. Being a listed company First REIT tracks its sustainability KPIs and reports them on a regular basis.</p> <div style="border: 1px solid black; padding: 5px;"> <p><b>From the First REIT website and Annual Report</b></p> <p><b>Scope of the report</b></p> <p><i>First Real Estate Investment Trust ("First REIT" or the "Trust") is a real estate investment trust and is managed by First REIT Management Limited (in its capacity as manager of First REIT) (the "Manager"). This report accounts for the Environmental, Social and Governance ("ESG") impacts generated from both the Trust and the Manager.</i></p> <p><b>Report Content and Quality</b></p> <p><i>This report aims to provide an integrated overview of the Trust and its Manager's initiatives and strategies related to sustainability and responsible business development. Through these actions, we aim to address the key concerns and issues that our stakeholders face.</i></p> </div> <p>DNV considers this to be aligned with the set criteria, defined by SBP and SLP.</p>

### 3. Management of Proceeds

Ref.	Criteria	Requirements	DNV Findings
<b>3a</b>	Tracking procedure	<p>The net proceeds of Social Bond should be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and attested to by a formal internal process that will be linked to the Issuer's lending and investment operations for Social/Social Projects.</p> <p>The proceeds of a Social Loan should be credited to a dedicated account or otherwise tracked by the borrower in an appropriate manner, so as to maintain transparency and promote the integrity of the product. Where a social loan takes the form of one or more tranches of a loan facility, each social tranche(s) must be clearly designated, with proceeds of</p>	<p>The evidence reviewed shows how First REIT plans to trace the net proceeds of SFI.</p> <div style="border: 1px solid black; padding: 5px;"> <p><b>From the Framework</b></p> <p><i>First REIT intends to allocate the proceeds from Social Finance Instruments to the Eligible Portfolio, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above. To ensure proceeds are allocated in accordance with the Social Finance Framework, First REIT will track investments in eligible projects, managed by the SFWG in a portfolio approach.</i></p> </div> <p>DNV considers this to be aligned with the set criteria &amp; market practice.</p>

Ref.	Criteria	Requirements	DNV Findings
		the social tranche(s) credited to a separate account or tracked by the borrower in an appropriate manner.	
3b	Tracking procedure	So long as the Social Bond/Loan is outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible social investments or loan disbursements made during that period.	<p>The details of information to be traced are addressed in the Framework.</p> <p><b>From the Framework</b></p> <p><i>First REIT will ensure that the level of allocation for the Eligible Portfolio matches or exceeds the balance of net proceeds from its outstanding social financing instrument(s) after adjustments for intervening circumstances including, but not limited to, repayments and disbursements. Additional Eligible Assets will be added to First REIT's Eligible Portfolio to the extent required to ensure that the net proceeds from outstanding social financing will be allocated to Eligible Assets.</i></p> <p><i>Internal monitoring systems are established and maintained to track and record the allocation of the net proceeds such that it is in line with the Use of Proceeds section.</i></p> <p>DNV considers this to be aligned with the set criteria &amp; market practice.</p>
3c	Temporary holdings	Pending such investments or disbursements to eligible Social Projects, the Issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	<p>First REIT indicates in the Framework that the unallocated proceeds can be held in cash or cash equivalents.</p> <p><b>From the Framework</b></p> <p><i>Any unallocated proceeds may be deployed temporarily at the discretion of First REIT in cash or cash equivalent instruments, in accordance with First REIT's investments and treasury policy.</i></p> <p><i>First REIT will strive to fully allocate all proceeds within 36 months of the loan's issue date.</i></p> <p>DNV considers this to be aligned with the set criteria &amp; market practice.</p>

#### 4. Reporting

Ref.	Criteria	Requirements	DNV Findings
4a	Periodical reporting	Borrowers should make and keep readily available up to date information on the use of proceeds to be renewed annually until fully drawn, and as necessary thereafter in the event of material developments. This should include a list of the social projects to which the Social Bond/Loan proceeds have been allocated and a brief description of the projects and the amounts allocated and their expected impact. Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the	<p>For Social Loans, First REIT has confirmed that it will disclose the allocation of the net proceeds to lenders.</p> <p>For Social Bonds, First REIT will publish a standalone Social Finance Report or as part of the annual report on First REIT's website</p> <p><b>From the Framework</b></p> <p><i>Wherever feasible, First REIT may report on the aggregated impact of the Eligible Portfolio. When available, First REIT will align, on a best-efforts basis, the reporting with the portfolio approach described by the International Capital Markets Association.</i></p> <p><i>Allocation Reporting</i></p> <p><i>The allocation report will provide:</i></p> <ul style="list-style-type: none"> <li>• Brief description of the Eligible Asset(s)</li> <li>• Amount or percentage of allocation of net proceeds to the Eligible Portfolio</li> <li>• Percentage of net proceeds allocated to financing new and existing projects</li> </ul>

Ref.	Criteria	Requirements	DNV Findings
		<p>information is presented in generic terms or on an aggregated project portfolio basis.</p> <p>In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, Issuers should provide at least annually a list of projects to which Social Bond/Loan proceeds have been allocated including - when possible, with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected socially sustainable impact.</p>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <ul style="list-style-type: none"> <li>• <i>Examples of projects being financed (subject to confidentiality considerations)</i></li> <li>• <i>Balance of unallocated proceeds</i></li> </ul> </div> <p>First REIT states in the Framework that they will report on the impact metrics regarding the Eligible Assets' social impact.</p>



## About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

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