

IOF

Green Bond Framework & Procedures

Dec 2016



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Section 1. Background & Purpose

1.1. Purpose

The Purpose of this paper is to set out the framework for the issuance of Green Bonds by Investa Office Fund (IOF), and to define the policies and procedures which have been implemented to support and maintain all Green Bonds subsequently issued.

1.2. Background.

With a proven track record of more than ten years of continual performance improvement, Investa Property Group remains a global leader in sustainability. These achievements were recently recognised by the Global Real Estate Benchmark (GRESB) results, in particular awarding IOF 13th in the global listed office sector. In 2015 IOF was one of two ASX listed companies to be included in the CDP Climate Leadership A List.

Investa recently committed to a carbon reduction strategy, “*Getting to Zero*”, (the Strategy) which sets ambitious carbon reduction targets, in alignment with the 2015 Paris Conference of Parties global commitment to a 2° future. The Strategy outlines a path to a net zero emissions target by 2040, delivering both an industry leadership position, and ensuring the portfolio of assets are continually reducing emission intensities. The target has been underpinned by the Science Based Targets framework and models, which ensure the reductions are in alignment with the climate science, limiting global warming to 2°.

A key factor in implementing the Strategy is funding, and Investa has received the endorsement of its Board to access the debt capital markets and enable IOF to issue Green Bonds as part of its on-going funding program.

Investa is acutely aware of the growing momentum behind investor demand for low/zero carbon economy investment opportunities particularly in the wake of the Paris Agreement. It recognises that to continue to attract investment, it must position itself not only as a viable, responsible investment option, but as a leader in sustainability.

Investa therefore applauds the growth of the Green Bond market and views engagement in it as a means to:

- Reinforce its corporate sustainability leadership, and commitment to a transition to a low carbon economy
- Support the growth of the sustainable/green finance market generally
- Respond to a rapidly increasing investor awareness of the climate change imperative, and the role of finance in avoiding catastrophic impacts
- Future-proof the sustainability of the IOF funding program by opening up investment opportunities for a wider group of investors.

With the support of the IOF team, Investa has outlined a roadmap towards successful Green Bond issuance. This roadmap includes the development of a Green Bond framework as well as implementation of processes and protocols to ensure successful issuance on an on-going basis and maintenance of issuance integrity throughout of the life of all Green Bonds issued by IOF.

Section 2. Framework

2.1 Use of Proceeds

The critical factor in Green Bond issuance is the use of proceeds. Given Investa's carbon reduction strategy and leadership objective in sustainable management in the property sector, Investa plans to apply IOF's Green Bond proceeds to low carbon building projects that meet the low carbon buildings criteria set out in the Climate Bonds Initiative (CBI) standards from time to time. See section 2.2 below for further information about the CBI.

2.2 Assurance

A second critical factor in issuing Green Bonds is validating their sustainability credentials. There are various ways to undertake this, and given Investa's commitment to real time data collection, analysis and continual evidence based improvement, IOF has chosen to issue its Green Bonds on the basis that it will seek assurance either in the form of a second party opinion or a verified third party certification.

With regards to the latter, for example, the CBI provides certification of Green Bonds on the basis of prescriptive standards with assessment criteria against specific asset classes. CBI requires verification from an approved assurer that the standards and criteria are met before providing certification to a Green Bond issuer.

2.3 Frequency of Assurance

Whichever of the two forms of assurance are used, Investa will engage an appropriate external assurance provider to independently assure each of its Green Bond issuances on a pre-issuance basis and within 6 months post-issuance.

Thereafter, it will seek assurance every two years during the tenor of each of the bonds on issue. Assurance statements will be reported to investors in line with Investa's usual annual reporting cycle, and will be made available on Investa's website.

2.4 Governance

In order to govern the IOF Green Bond Framework and, critically, to decide upon use of Green Bond proceeds as issuances are contemplated, Investa will include a standing Green Bond Progress yearly agenda item on the independent responsible entity board of the trusts that comprise of Investa Office Fund.

The responsible entity board of the Investa Office Fund is attended by the independent board of Investa Listed Funds Management Limited and Investa Executive teams. Details in relation to the composition of the responsible entity board can be found on the Investa website.

Note: the Green Bond Framework and related activities will be undertaken in unison with Investa's extensive policy suite and operational processes with respect to matter such as sustainability, fund management, finance and legals. It will not override any existing policies or procedures.

2.5 Management of Proceeds

Investa will track the receipt and use of proceeds via its internal information systems. This will include:

- ensuring proceeds are appropriately placed either upon issuance or within 12 months
- appropriately investing unallocated proceeds or surplus funds if they arise.

2.6 Disclosure & Reporting

Investa recognises investor interest in transparency and intends to provide information to investors in keeping with its end of financial year reporting programme.

For, IOF Green Bonds, Investa will:

- disclose the Green Bond Framework prior to the first issuance and make it permanently available on the Investa website
- disclose all Assurance reports received during life and make them available on the Investa website (to the extent allowed by the Assurer).
- disclose any certifications sought either pre-issuance or during life and make them available on the Investa website (to the extent allowed by the certifier)
- report annually on the progress of the Green Bonds against targets in the IOF Annual Report and the Green Bond Framework, including against any certification requirements, and make these reports available via the annual fund results reporting suite as well as on the Investa website).

Section 3 Issuance Process – CBI Certified Green Bond

3.1 Environmental Objective

The broad environmental objective of the IOF Green Bond is to catalyse the funding of a portfolio office buildings that is continually reducing its emission intensity over time.

This objective is in furtherance of Investa's recently implemented a carbon reduction strategy, "*Getting to Zero*" which outlines a path to net zero emissions by 2040.

It will be achieved by utilising the CBI's low carbon buildings criteria (LCBC) as a benchmark for those buildings in the portfolio earmarked for Green Bond issuance.

3.2 Project & Asset Nomination

IOF manages a portfolio of 22 office buildings with a total book value of A\$3.6billion.

IOF has reviewed this portfolio and identified [5] high quality low carbon buildings to be earmarked for Green Bond issuance on the basis that:

- their emissions intensity meet the targets set out in the LCBC; and
- their combined book value of A\$[**1,012,137,748**]B materially exceeds the intended ~A\$150M face value of the issuance this providing significant headroom for the management of "surplus funds" and contamination risk;

3.3 Technical Specifications of Nominated Projects & Assets

The Earmarked Assets are set out in Appendix 1, along with each of their emissions rating and book value.

IOF will maintain a register of the Earmarked Assets, which will be monitored on an annual basis via its internal information systems to ensure:

- their emissions intensity continues meet the targets set out in the LCBC, with any failing to meet the targets being removed from the register
- their combined book value continues to exceed the face value of the issuance, with any surplus being managed in accordance with section 3.6 below

In addition, IOF will re-run the emissions calculation when:

- new buildings are added into register (this may occur over time as new buildings are brought into IOF's portfolio)
- existing buildings are removed from the register (this may occur over time where a building fails to meet the LCBC, or is sold)

3.5 Net Proceeds

IOF has identified a selection of low carbon buildings that have a combined book value that is significantly above the value of the Green Bond. Refer section 3.2 for details.

It is anticipated that all of the issuance proceeds will be applied at the outset of the bond tenor, and that they will be applied for the purposes of refinancing the Earmarked Assets.

3.6 Tracking & Management of Proceeds

Upon receipt of funds from the Green Bond, the funds will be tagged in IOF's accounting system as proceeds from the Green Bond. Investa's Treasury Team will then apply the funds to repay existing bank debt facilities, associated to the IOF listed assets in Appendix 1. The repayments of the existing bank debt facilities will be tagged via journal entry as use of the Green Bond proceeds.

In the event of either:

- unallocated proceeds (where the proceeds that are not applied in full to the Earmarked Assets at the outset of the bond tenor); or
- surplus funds (where the bond face value exceeds the book value of the Earmarked Assets during the bond tenor)

IOF will review their portfolio to identify whether any other low carbon buildings are available to be included in the Earmarked Asset register.

If there are no other available low carbon buildings, IOF will instruct Investa's Treasury Team to place such proceeds or funds either on cash deposit, in government treasuries or otherwise in accordance with the CBI Standard to ensure the proceeds are not contaminated.

3.7 Reporting and Responsibilities

Investa will disclose the following items to investors and make them available on the Investa website:

- the Green Bond Framework
- all Assurance reports received either pre-issuance or during life
- any certifications sought either pre-issuance or during life

Investa will report annually on the progress of the Green Bonds against the CBI criteria in the IOF Annual Report, Investa Sustainability Report, and the Green Bond Framework, including against any certification requirements.

Specifically with regards to:

- Progress and monitoring against CBI criteria, Investa's Sustainability team will be responsible for ongoing monitoring of the Green Bond earmarked assets

- assurance and reporting, Investa's General Manager for Corporate Sustainability will be responsible for ensuring the timeliness of these activities.
- managing surplus funds, Investa's relevant Treasury teams will be responsible for taking the steps to deal with surplus funds appropriately.

For more detail, refer to Appendix 2 Roles and Responsibilities

3.8 Record Retention

A dedicated folder has been created in the central document management system StarCentral in the following location;
<https://starcentral.investa.com.au/Office/RealestateOperations/Sustainability/ProjectsandInitiatives/GreenBond>
This folder has unrestricted access to all Investa Staff, to ensure open access to reporting information and results.

Appendix 1. Earmarked Asset register

Building / Asset Name	CBI Assessment	Value	Net Lettable Area (m2)	Emissions intensity (kgCO2-e/m2)	CBI Threshold for 10 years @2017	Difference
140 Creek Street, 295 Ann Street & 232 Adelaide Street, Brisbane	Low Carbon Building	\$321,000,000	52,900.00	61.62	72.03	14%
10-20 Bond Street, Sydney	Low Carbon Building	\$251,000,000	38,271.00	59.97	73.01	18%
567 Collins Street, Melbourne	Low Carbon Building	\$303,639,606	55,172.20	40.74	71.38	43%
836 Wellington Street, West Perth	Low Carbon Building	\$69,516,748	11,973.00	40.10	56.03	28%
66 St Georges Terrace, Perth	Low Carbon Building	\$66,981,394	11,447.00	52.13	56.03	7%
Portfolio weighted average intensity		\$1,012,137,748	169,763.20	52.30	69.832	25%

Appendix 2. Roles and Responsibilities

ROLES & RESPONSIBILITIES						
TYPE	TASK	OBLIGED TO	METHOD	RESPONSIBILITY	OCCURRENCE	SECTION REFERENCED
Assets	Identify eligible assets	CBI & EY; Investors	Against CBI targets	IOM Sustainability Manager	Pre-trade	3.2 Project & Asset Nomination
	Seek assurance & verification	Investors	EY + CBI applications and approvals	IOM Sustainability Manager	Pre and post trade	2.2 Assurance
	Monitor and maintain the asset register	IOM & Investors	Via half yr reporting	IOM Sustainability Manager and Finance teams	Half yearly	2.6 Disclosure & Reporting
	Monitor asset value v bond face value	Investors	Via half yr reporting	Fund Manager	Half yearly	3.2 Project & Asset Nomination
Use of Proceeds	Tag investor trade as "Green Bond"	CBI, EY + Investors	Accounting system	IOF Financial Controller	Trade date	2.1 Use of Proceeds
	Tag outgoing funds as "Green Bond"	CBI, EY + Investors	Accounting system	IOF Financial Controller	Transfer date	3.5 Net Proceeds
Surplus Funds	Advise of surplus funds	CBI + Investors	CBI approved investments	Assistant Treasurer	As and when required by CBI	2.5 Management of Proceeds
	Appropriate management of surplus funds	CBI + Investors	CBI approved investments	Assistant Treasurer	As and when required by CBI	2.5 Management of Proceeds
Bond Documentation	Pricing supplement "Green Bond" compliant	CBI, EY + Investors	Pricing suppliant Doc	Assistant Treasurer	Trade Date	NA

Reporting	Complete Green Bond Issuance Process Document	CBI, EY	Word Doc	IOM Legal Council	4-6 Weeks post issuance	2.6 Disclosure & Reporting
	Annual progress report of assets against CBI targets	Investors	Annual report	IOM General Manager Sustainability	EOFY	2.6 Disclosure & Reporting
	Asset value against Bond Face Value	Investors	Annual Report	Fund Manager	Annual	3.2 Project & Asset Nomination
	Provide 2 yearly compliance statement	EY + Investors	Annual Report	IOM General Manager Sustainability	2 yearly	2.3 Frequency of Assurance
	Non-compliance notification	EY + CBI + Bond holders	Letter	Fund Manager	As and when required by CBI	NA
Record Retention	Creation of Green Bond project on StarCentral	IOM	StarCentral	IOM General Manager Sustainability	Pre-Issuance	3.8 Record Retention
	File all pertinent documentation to StarCentral	IOM	StarCentral	IOM General Manager Sustainability	Ongoing	3.8 Record Retention