

QIC Shopping Centre Fund

PRE-ISSUANCE VERIFICATION LETTER

LOW CARBON BUILDINGS CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: April/May 2019

Approved verifier: Sustainalytics

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Scope and Objectives

QIC Retail Pty Ltd. as trustee for QIC Shopping Centre Fund, (“QSCF”), has engaged Sustainalytics to review and verify that the QSCF’s green bond meets the requirements under the Low Carbon Buildings criteria of the Climate Bonds Standard.

QSCF owns a portfolio of dominant retail-led Regional and Super-Regional town centres across Australia. The portfolio comprises 14 properties primarily situated in and around Australia’s major capital cities (the ‘Portfolio’). Totalling approximately 1,114,000 square metres and valued at AUD 6.2 billion (USD 4.3 billion) (as at 31 March 2019), the Portfolio is under the management of QIC’s Global Real Estate investment team (‘GRE’).

QSCF is managed by QIC, a Queensland Government owned corporation operating under the Australian Government Owned Corporations Act 1993 and the Queensland Investment Corporation Act 1991. QIC is one of the largest Australian investment managers with over AUD 86 billion (USD 61 billion) in assets under management.

The net proceeds of the green bond will be used to finance and refinance the redevelopment of three shopping centres with the aim to improve the carbon performance of the buildings.

In line with its goal to strengthen its responsible investment approach, QIC established an ESG Advisory Committee to provide advice to the board on QIC’s overarching ESG strategy. As part of this strategy QIC GRE announced it would reduce its energy, water and waste levels by 20% by 2020¹ and derive 30% of its energy needs from renewable sources by 2025. In 2017, QSCF entered into an AUD 200 million (USD 138 million) senior debt facility with the Clean Energy Finance Corporation to undertake improvements in energy performance across the QSCF Portfolio. QSCF is currently ranking in the top 20% of global participants in the 2018 Global Real Estate Sustainability Benchmark Real Estate Assessment.² Sustainalytics views that the bond will contribute to QIC’s sustainability targets and commitments and help reduce the carbon footprint of the real estate market in Australia.

Climate Bonds Standards Criteria

Pre-issuance requirements under Climate Bond Standards Version 2.1:

- Low Carbon Buildings³
 - Upgrades⁴

Issuing Entity’s Responsibility

QSCF was responsible for providing information and documents relating to:

- The details concerning the selection process for the nominated projects
- The details of the nominated projects and the methodology applied

¹ Compared to the 2015 baseline.

² QIC Sustainability Report 2018 available at: <https://www.qic.com.au/about-qic/corporate-information/-/media/BB54421EFEE4400FB15AC7003FA74A6F.ashx>

³ Low Carbon Buildings criteria available at: <https://www.climatebonds.net/standard/buildings>

⁴ Building Upgrades criteria available at: <https://www.climatebonds.net/standard/buildings/upgrade>

- The management systems for internal processes and controls for nominated projects, including: tracking of proceeds, managing unallocated proceeds and earmarking funds to nominated projects
- The details of commitments for reporting prior to issuance, including investment areas, management of unallocated proceeds and frequency of periodic Assurance Engagements

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of QSCF's green bond, issued to finance the redevelopment of eligible green buildings, and provided an independent opinion informing QSCF as to the conformance of the green bond with the Pre-Issuance requirement and Low Carbon Buildings criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by QSCF. Sustainalytics is not responsible for any aspect of the nominated projects referred to in this opinion including estimates, findings, opinions, or conclusions are incorrect. Thus, Sustainalytics shall not be held liable if any of the information or data provided by QSCF's management and used as a basis for this assessment were not correct or complete.

Sustainalytics makes all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the bond.

Verifier's Responsibility

The work undertaken as part of this engagement included conversations with relevant QSCF employees and review of relevant documentation to confirm the green bond's conformance with the Climate Bonds Certification Pre-Issuance Requirements, which include:

- Conformance of QSCF's green bond with the Climate Bonds Standard Version 2.1;
- Conformance with the Technical Criteria on Low Carbon Building
- Conformance with the Internal Processes & Controls requirements
- Conformance with Reporting Prior to Issuance requirements

Basis of the Opinion

Sustainalytics conducted the verification in accordance with the Climate Bond Standard Version 2.1 and with International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Information.

Sustainalytics planned and performed the verification by obtaining evidence and other information and explanations that Sustainalytics considers necessary to give limited assurance that the QSCF green bond meets the requirements of the Climate Bond Standard. Upon reviewing evidence and other information, Sustainalytics is of the opinion that QSCF will ensure compliance with Climate Bond Standard requirements.

Conclusion

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes Sustainalytics to believe that, in all material respects, the QSCF green bond is not in conformance with the Low Carbon Buildings criteria Pre-Issuance Requirements.

Schedule 1: Detailed Overview of Nominated Projects and Assets

1. Low Carbon Buildings

QSCF intends to refinance and finance the redevelopment of three Australian shopping centres, i.e. Robina Town Centre, Eastland Shopping Centre and Grand Central Toowoomba. Redevelopment of the three centres began in 2014 and will include further implementation of measures until 2020. As part of the ongoing redevelopment of the shopping centres, the following measures will be implemented to achieve a minimum reduction of 34% CO₂/m² of the centralised air-conditioned area for each of the shopping centres, which is the threshold requirement of emissions reduction required in the Low Carbon Building (Upgrades) Criteria for a 10-year bond.

- Optimization in air conditioning
- Implementation of a building management system that improves energy use and distribution (CIM Enviro ACE Platform)
- Led lighting
- Installation of solar pv panels on site

Schedule 2A: Pre-Issuance General Requirements

<p>Selection of Nominated Projects and Assets:</p>	<p>1.1 Statement on the environmental objectives of the bond</p> <p>1.2 Confirmation that Nominated Projects and Assets meet the Climate Bonds criteria</p> <p>1.3 Document a list of Nominated Projects and Assets</p> <p>1.4 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p> <p>1.5 Confirmation that Net Proceeds of the Green Bond shall not be greater than the value of the Nominated Projects and Assets</p>
<p>Internal Processes and Controls</p>	<p>2.1.1 Tracking of proceeds</p> <p>2.1.2 Managing of unallocated proceeds</p> <p>2.1.3 Earmarking funds to Nominated Projects and Assets</p>
<p>Reporting Prior to Issuance</p>	<p>3.1.1 Investment area of Nominated Projects and Assets</p> <p>3.1.2 Intended types of temporary investments for the management of unallocated proceeds</p> <p>3.1.3 Approach of Verifier</p> <p>3.1.4 Whether periodic Assurance Engagement will be undertaken, and the expected frequency of any periodic Assurance Engagements</p>

Schedule 2B: Conformance to the Pre-Issuance Requirements

Procedure Performed	Factual Findings	Error or Exceptions Identified
<p>Verification of requirements specified under Selection of Nominated Projects and Assets</p>	<p>1.1 The objective of the bond is to primarily use proceeds to finance or refinance the redevelopment of three Australian shopping centres, i.e. Robina Town Centre, Eastland Shopping Centre and Grand Central Toowoomba, to achieve carbon performance improvements of 34%.</p> <p>1.2 The Nominated Projects and Assets meet the Low Carbon Buildings criteria of the Climate Bond Standard.</p> <p>1.3 The Nominated Projects and Assets include:</p> <ul style="list-style-type: none"> • Redevelopment of Robina Town Centre, • Redevelopment of Eastland Shopping Centre • Redevelopment of Grand Central Toowoomba <p>1.4 QSCF confirms that the projects shall not be nominated to other Climate Bonds.</p> <p>1.5 QSCF confirms that the net proceeds of the bond shall not be greater than the value of the projects.</p>	<p>None</p>
<p>Verification of requirements specified under Internal Processes and Controls</p>	<p>2.1.1 QSCF confirms that proceeds will be segregated and tracked in a systematic manner and will be exclusively used to finance nominated projects.</p> <p>2.1.2 QSCF confirms that pending full allocation, the unallocated proceeds will be invested according to the QSCF Treasury Policy, subject to the exclusionary criteria in Section 2.1.3. (i.e. investments in manufacture of cluster munitions, landmines, manufacture of tobacco, fossil fuel based electricity production, clean-up operations, and related R&D activities)</p> <p>2.1.3 QSCF has confirmed that the proceeds from the bond will be earmarked to QSCF Green Bond eligible projects.</p>	<p>None</p>
<p>Verification of requirements specified under Reporting Prior to Issuance</p>	<p>3.1.1 QSCF confirms that the proceeds of the transaction will primarily be used to finance or refinance redevelopment of the nominated buildings.</p> <p>3.1.2 QSCF confirms that unallocated proceeds shall be invested according to the QSCF Treasury Policy, subject to the exclusionary criteria in Section 2.1.3. (i.e. investments in manufacture of cluster munitions, landmines, manufacture of tobacco, fossil fuel based electricity production, clean-up operations, and related R&D activities)</p> <p>3.1.3 The bond's offer letter confirms that an approved third-party verifier has been appointed to confirm the</p>	<p>None</p>

	<p>bond's conformance with pre-issuance requirements of the Low Carbon Buildings criteria of the Climate Bonds Standard.</p> <p>3.1.4 The bond's offer letter confirms that an approved third-party verifier will conduct post-issuance assurance exercise within one year of the bond's issuance to reaffirm conformance of the bond with the Low Carbon Buildings criteria of the Climate Bonds Standard.</p>	
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The client is fully responsible for certifying and ensuring its commitments’ compliance, implementation and monitoring.

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

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