

# Green Debt Framework

## Investa Gateway Office Fund

11.05.22



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# Section 1. Background & Purpose

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## 1.1 Purpose

The Purpose of this Green Debt Framework (Framework) is to document the approach for issuances of Green Debt (Green Bonds, Green Loans and Green Guarantees) by Investa Gateway Offices (IGO) to refinance the investment, acquisition and/or development of suitable assets, and define the policies and procedures which have been implemented by Investa as Manager to ensure successful issuances on an on-going basis and maintenance of issuance integrity throughout the life of all Green Debt subsequently issued.

## 1.2 Background

### 1.2.1 Sustainability Credentials

Investa is a leading manager and developer of institutional grade real estate in Australia with a vision to create Australia's most valued working places and communities. With a proven track record of more than ten years of continual performance improvement, Investa remains a global leader in sustainability. Since 2018, Investa has been committed to a carbon reduction strategy, "*Getting to Zero*", which sets ambitious carbon reduction targets, in alignment with the 2015 Paris Conference of Parties global commitment to limit global warming to well below 2°C, preferably to 1.5°C, compared with pre-industrial levels. 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 emissions reductions are in alignment with climate science and the Paris Climate Agreement.

In addition to Investa's strong sustainability performance, Investa has managed funds that have been issuing Green Bonds since 2017 and are transitioning their debt facilities into competitively priced green finance.

### 1.2.2 Green Debt Objectives

Sustainable finance is a key benefit from implementing Investa's sustainability objectives. There is growing momentum behind investor demand for low/zero carbon economy investment opportunities, particularly in the wake of the Paris Agreement. To continue to attract investments, property companies must position themselves not only as viable, responsible investment options, but also as leaders in sustainability.

Investa applauds the growth of the Green Debt market and consider the engagement with it as a means to:

- Reinforce corporate sustainability leadership, and commitment to 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; and
- Future-proof funding by opening up investment opportunities for a wider group of investors/lenders and ensuring continued support from banking partners.

The broad environmental objective of issuing Green Debt is to catalyse the investment and construction of commercial stock which meets high environmental and social standards.

## Section 2. Framework

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The Framework is aligned to the Asia Pacific Loan Market Association (APLMA) Green Loan Principles (GLP)<sup>1</sup> and the International Capital Markets Association (ICMA) Green Bond Principles (GBP)<sup>2</sup> which are a set of voluntary guidelines for Green Debt issuances globally and were updated in February 2021 and June 2021 respectively. The Framework adopts the four key pillars of the GLP and GBP as follows:

- Use of Proceeds;
- Process for Project Evaluation and Selection;
- Management of Proceeds; and
- Reporting.

This Framework has been drafted on the basis that IGO will issue Green Debt to finance the investment and development of assets in IGO which will meet one or more of the green eligibility criteria outlined under section 2.2 below, as supported by clear sustainability targets embedded into the construction planning process.

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<sup>1</sup> [https://www.lma.eu.com/application/files/9716/1304/3740/Green\\_Loan\\_Principles\\_Feb2021\\_V04.pdf](https://www.lma.eu.com/application/files/9716/1304/3740/Green_Loan_Principles_Feb2021_V04.pdf) and <https://stage.aplma.com/microsites/categories/3/pages/11>

<sup>2</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

## 2.1 Use of Proceeds

IGO's Green Debt proceeds will be applied to low carbon building projects that meet the Commercial Low Carbon Buildings (CLCB) sector criteria set out in the Climate Bond Initiative (CBI) standards. This is intended to be the entire portfolio of buildings owned by IGO (the "Earmarked Assets").

The Green Debt instruments that may be utilised in this manner will include:

- Green Bonds including but not limited to issuances in A\$MTN;
- Green Loans including but not limited to borrowings undertaken through syndicated, revolving or bilateral facilities; and/or
- Any other green financing instruments approved by the CBI.

## 2.2 Process for Evaluation and Selection

In order to govern the Framework and to critically evaluate and select use of Green Debt proceeds as issuances are contemplated, IGO will include a standing Green Debt progress yearly agenda item for the IGO Investor Advisory Committee (IAC).

The IAC is attended by representatives of IGO unitholders (currently Oxford Properties, and Link REIT).

IGO reviewed its portfolio of office buildings and identified 5 high quality low carbon buildings as Earmarked Assets on the basis that:

- their emissions intensity met the targets set out in the CLCB criteria; and
- their combined book value materially exceeded the face value of the issuance, thus providing significant headroom for the management of unallocated proceeds.

IGO will include the 5 seed assets as Earmarked Assets for the purposes of issuing Green Debt. The pool of Earmarked Assets can expand for new acquisitions etc. as long as these assets and/or the portfolio meet the CLCB criteria on a weighted average basis, in line with requirements of the CBI certification. The CLCB criteria that the Earmarked Assets are required to meet will be the lowest emissions intensity figure calculated utilising the issue and maturity dates of any one Green Debt facility that has not yet been repaid.

Office buildings within IGO's portfolio that will not automatically be included as Earmarked Assets are those office buildings in which interest has been acquired by IGO in the 24 months prior to the relevant reporting date (Acquisitions). In these cases, interest has been acquired with the intent of improving the building's emissions intensity, and a certain amount of time is required to design and implement upgrades to energy use in order to bring these Acquisitions up to the standard of the rest of the portfolio.

Acquisitions will not be automatically included as Earmarked Assets for Green Debt, so as to provide IGO sufficient time to make any required improvements. Core long-term investment assets will be considered within 24 months post acquisition, or at IGO's discretion, Acquisitions will be deemed an Earmarked Asset and as such, be required to meet the

CLCB criteria on a weighted average basis. Assets identified as non-core/ development assets with the intention to significantly redevelop will not be considered as an Earmarked Asset. The current portfolio of Earmarked Assets is set out in Appendix 1, along with each of their emissions rating and book value.

It is on the basis of the above that IGO is labelled a Pureplay green entity, and IGO intend to maintain this Pureplay label over time. In the event IGO is no longer deemed a Pureplay green entity, Green Debt will not include revolving credit facilities and instead IGO will utilise the Earmarked Asset processes described in this Framework in relation to the specific labelled Green Debt issuances.

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

## **2.3 Management of Proceeds**

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

- Ensuring proceeds are appropriately placed either upon issuance or within 12 months; and
- Appropriately investing unallocated proceeds if they arise.

It is anticipated that all of the Green Debt proceeds will be applied at the outset of each Green Debt issuance, and that they will be applied for the purposes of refinancing debt associated with the Earmarked Assets.

Green Debt will be tracked as follows:

- Upon receipt of funds from Green Debt, the funds will be tagged in REVAL (IGO's treasury accounting system) as proceeds from the Green Debt. Investa's treasury team will then apply the funds as received or drawn upon, to repay existing bank debt facilities. The repayments of the existing debt facilities will be tagged via journal entry as use of the Green Debt proceeds.

Investa will maintain a register of IGO's Earmarked Assets, which will be monitored on an annual basis via internal information systems to ensure:

- Their emissions intensity continues to meet the targets set out in the CLCB criteria, on a weighted average basis against all Earmarked Assets;
- Their combined book value continues to exceed the cumulative face value of all outstanding Green Debt.

Unallocated proceeds exist where the value of the Green Debt outstanding exceeds the value of the Earmarked Assets. Investa will review IGO's portfolio to identify whether any other low carbon buildings are available to be included in the portfolio of Earmarked Assets.

If there are no other available eligible low carbon buildings, Investa's treasury team will ensure unallocated proceeds are invested in:

- Temporary investment instruments that are cash, or cash equivalent instruments; or
- Temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or
- Applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Earmarked Assets.

In any case, any Green Debt proceeds will be allocated to eligible assets within 24 months of issuance of that Green Debt.

## **2.4 External Review**

### **2.4.1 Assurance**

Given Investa's commitment to real time data collection, analysis and continual evidence based improvement, IGO has chosen to issue its Green Debt 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 Debt 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 Debt issuer.

### **2.4.2 Frequency of Assurance**

IGO will pursue a Programmatic Certification process, where all the Green Debt is assured on an annual basis, in line with the yearly data assurance programme. Assurance documentation will be provided annually by IGO.

Note – all assurance statements have been/will be reported to investors and bank lenders in line with Investa's usual annual reporting cycle.

### **2.4.3 Disclosure and Reporting**

Investa recognises investor interest in transparency and intends to provide information to investors and its bank lending group (or relevant bank lender, in the case of bilateral Green Loans) in keeping with its end of financial year reporting programme. For IGO Green Debt, Investa will disclose to IGO's investors and bank lenders:

- The Framework, as amended from time to time. The Framework will first be made available prior to the first Green Debt issuance.;
- Assurance (to the extent allowed by the assurer);
- Any pre-issuance or on-going certifications;
- Annual reporting on the use of proceeds against CBI thresholds in the IGO annual report.

Specifically with regards to:

- Confirmation of retained Pureplay green status - Investa's sustainability team will be responsible for ongoing monitoring of the portfolio of Earmarked Assets and confirming it continues to meet the CLCB criteria that confirm IGO remains a Pureplay green entity;

- Progress and monitoring against CBI criteria - Investa's sustainability team will be responsible for ongoing monitoring of the Green Debt Earmarked Assets;
- Assurance and reporting - Investa's General Manager for Corporate Sustainability will be responsible for ensuring the timeliness of these activities; and
- Managing unallocated proceeds - Investa's relevant treasury teams will be responsible for taking the steps to deal with unallocated proceeds appropriately.

For more detail, refer to Appendix 3 Roles and Responsibilities

#### **2.4.4 Record Retention**

All records of disclosure can be accessed in the Investor Centre.



## Appendix 1. Earmarked Asset Register

	Net Lettable Area (m2)	Emissions Intensity (kgCO2-e/m2) <sup>1</sup>	NABERS Energy Rating <sup>2</sup>	NABERS Water Rating <sup>2</sup>	CBI Threshold <sup>5</sup> (kgCO2-e/m2)	Headroom
126 Phillip Street, Sydney	42,134	51.1	5	-.5	61.27	- 17 %
388 George Street, Sydney <sup>4</sup>	41,028	-	5 <sup>4</sup>	4 <sup>4</sup>	-	-
151 Clarence Street, Sydney	21,891	19.8	5.5	4.5	61.27	- 68 %
347 Kent Street, Sydney	26,819	26.4	5	4.5	61.27	- 57 %
567 Collins Street, Melbourne	55,051	31.0	5.5	5.5	58.63	- 47 %
<b>Total</b>	<b>138,161</b>	<b>32.08</b>			<b>60.61</b>	<b>- 47 %</b>

<sup>1</sup> Emissions intensity as at 30 June 2021

<sup>2</sup> NABERS ratings at April 2022<sup>3</sup>

<sup>4</sup> 388 George Street has recently undergone significant refurbishment, current NABERS ratings are targets, until 12 months of operations

<sup>5</sup> CBI Threshold as at 28 April 2022

\* IGO's portfolio emissions intensity is below the weighted average CBI threshold of 60.61 kg CO2-e/m2 p.a.

**Appendix 2: Listing of Green Debt Issued as at May 2022**

Facility name	Financial Close / Settlement Date	Maturity date	Value	CBI Weighted Average Threshold
<b>Total</b>				

### Appendix 3. Roles and Responsibilities

ROLES & RESPONSIBILITIES						
TYPE	TASK	OBLIGED TO	METHOD	RESPONSIBILITY	OCCURRENCE	SECTION REFERENCED
<b>Assets</b>	Identify eligible assets	CBI & EY/KPMG; Investors/Bank Lenders	Against CBI targets	Investa Sustainability Manager	Pre-trade	2.2 Process for Evaluation and Selection
	Seek assurance & verification	Investors/Bank Lenders	EY/KPMG + CBI applications and approvals	Investa Sustainability Manager	Pre and post trade	2.4 External Review
	Monitor and maintain the asset register	IGO & Investors/Bank Lenders	Via half yr reporting	Investa Sustainability Manager and Finance teams	Half yearly	2.4.3 Disclosure & Reporting
	Monitor asset value v bond face value	Investors/Bank Lenders	Via half yr reporting	Fund Manager	Half yearly	2.3 Management of Proceeds
<b>Use of Proceeds</b>	Tag investor trade as "Green Bond" or "Green Loan"	CBI, EY/KPMG + Investors/Bank Lenders	Accounting system	IGO Financial Controller	Trade date	2.3 Management of Proceeds
<b>Unallocated Proceeds</b>	Advise of unallocated proceeds	CBI + Investors/Bank Lenders	CBI approved investments	Senior Accountant – Treasury & Management Reporting	As and when required by CBI	2.3 Management of Proceeds
	Appropriate management of unallocated proceeds	CBI + Investors/Bank Lenders	CBI approved investments	Senior Accountant – Treasury & Management Reporting	As and when required by CBI	2.3 Management of Proceeds
<b>Green Bond Documentation</b>	Pricing supplement "Green Bond" compliant	CBI, EY/KPMG + Investors/Bank Lenders	Pricing supplement doc	Senior Accountant – Treasury & Management Reporting	Trade Date	NA
<b>Green Loan Documentation</b>	Incorporate Green Debt details into standard loan/bond documentation	CBI & Investors/Lenders	Pricing Supplement / Facility Agreement	Senior Accountant – Treasury & Management Reporting	Financial Close	NA
<b>Reporting</b>	Annual progress report of Earmarked Assets against CBI targets	Investors/Bank Lenders	Annual report	Investa General Manager Sustainability	EOFY	2.4.3 Disclosure & Reporting

## ROLES & RESPONSIBILITIES

	Asset value against aggregate Green Debt face value	Investors/Bank Lenders	Annual report	Fund Manager	Annual	2.3 Management of Proceeds
	Provide yearly compliance statement	EY/KPMG + Investors/Bank Lenders	Annual report	Investa General Manager Sustainability	Annual	2.4 External Review
	Non-compliance notification	EY/KPMG + CBI Investors/Bank Lenders	Letter	Fund Manager	As and when required by CBI	NA
<b>Record Retention</b>	Creation of Green Debt project on StarCentral	IGO	StarCentral	Investa General Manager Sustainability	Pre-issuance	2.4.4 Record Retention
	File all pertinent documentation to StarCentral	IGO	StarCentral	Investa General Manager Sustainability	Ongoing	2.4.4 Record Retention