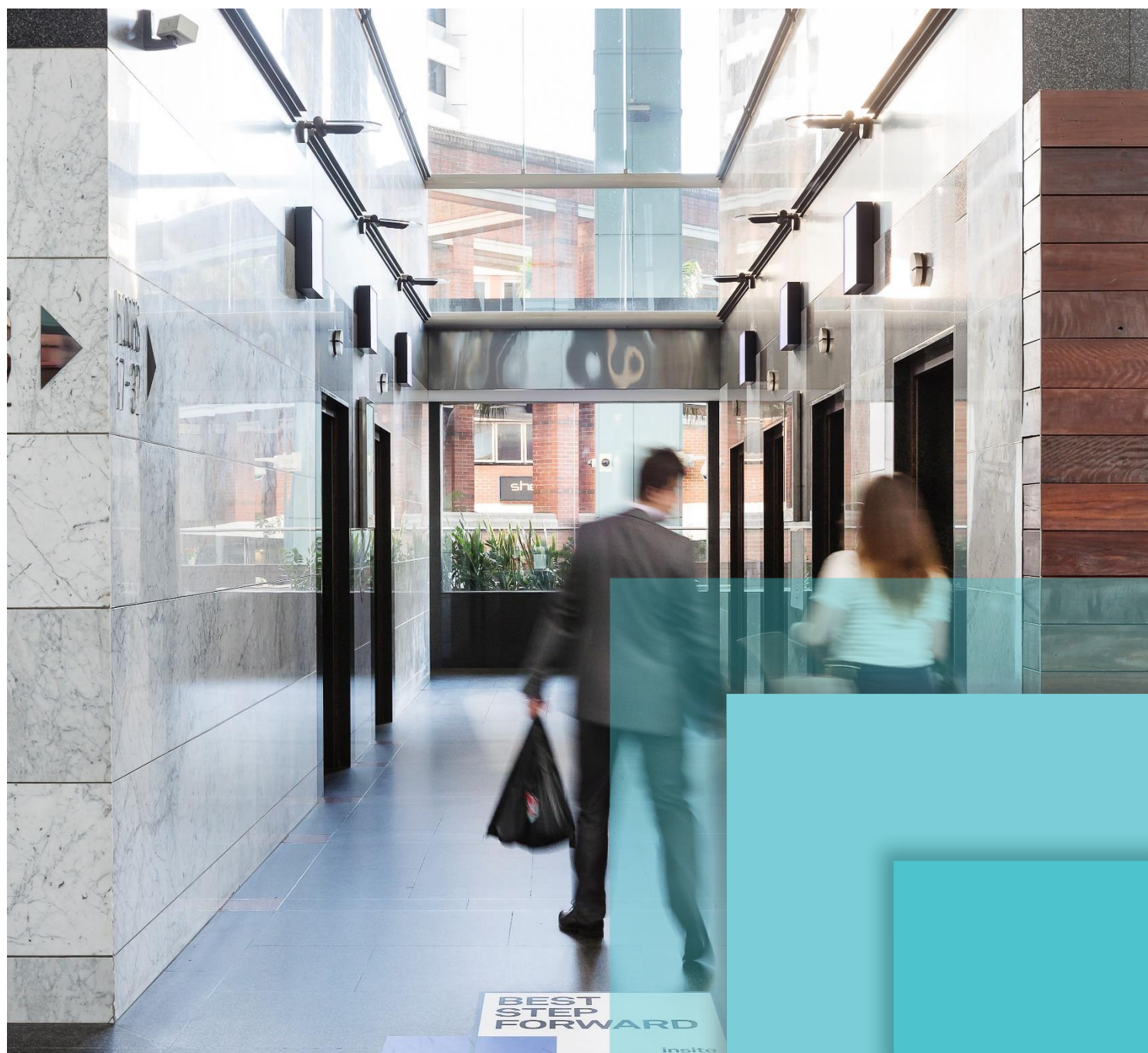


# Green Debt Framework

ICPF

17.09.21



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# Section 1. Background & Purpose

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## 1.1 Purpose

The Purpose of this paper is to set out the framework for the issuance of Green Bonds and Green Loans ("Green Debt") by Investa Commercial Property Fund (ICPF), and to define the policies and procedures which have been implemented to support and maintain all Green Debt 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 continue to be recognised by the Global Real Estate Benchmark (GRESB), with ICPF retaining its 5 Star rating in the global non-listed office sector.

Since 2018, Investa has been 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°.

With this backdrop, ICPF has expanded its selection of Earmarked Assets to now include the entire portfolio of buildings owned by ICPF. This portfolio has been assessed against the Climate Bonds Initiative's (CBI) commercial low carbon buildings criteria (LCBC) on a weighted average basis, in line with the requirements of the Climate bonds Standard. This expanded pool of Earmarked Assets continues to meet the criteria and ICPF can therefore be labelled as a Pureplay green entity. Refer to Process for Evaluation and Selection section for further details on the requirements ICPF must meet to maintain this label.

A key factor in implementing the Strategy is funding, and Investa has received the endorsement of its Board to access the debt capital and bank lending markets and enable ICPF to issue Green Debt 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 and Green Loan markets 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 ICPF funding program by opening up investment opportunities for a wider group of investors and ensuring continued support from its banking partners.

The broad environmental objective of ICPF issuing Green Debt is to catalyse the funding of the portfolio of office buildings that is continually reducing its emission intensity over time. This objective will be achieved by utilising the CBI's commercial low carbon buildings criteria (LCBC) as a benchmark for those buildings.

With the support of the ICPF team, Investa has engaged with its banking partners, to outline a roadmap towards successful Green Debt issuance. This roadmap initially included the development of a Green Bond Framework ("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 ICPF. This now includes the expansion of the Framework and processes and protocol to include Green Loans, and the term Framework in this document will herein refer to the ICPF Green Debt Framework.

## Section 2. Framework

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The Framework is aligned to the International Capital Markets Association (ICMA) Green Bond Principles ("GBP")<sup>1</sup> which are a set of voluntary guidelines used in green bond issuances globally, and the Green Loan Principles ("GLP")<sup>2</sup> similar guidelines but relating to loans, updated by the Asia Pacific Loan Market Association in February 2021.

The Framework adopts the four key pillars of the GBP and GLP as follows:

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

The Framework and Use of Proceeds of the Program are also consistent with the Climate Bonds Initiative ("CBI"), and sector criteria relating to Commercial Low Carbon Buildings (CLCB).

This Framework has been drafted on the basis that ICPF is a Pureplay issuer, and the term Earmarked Assets relates to the entire portfolio of buildings owned by ICPF. In the event ICPF is no longer a Pureplay issuer, the Earmarked Assets may reduce to include a smaller portfolio of eligible low carbon buildings. ICPF will make annual confirmation as to its continuing status as a Pureplay green issuer.

### 2.1 Use of Proceeds

Given Investa's carbon reduction strategy and leadership objective in sustainable management in the property sector, Investa plans to apply ICPF Green Debt proceeds to low carbon building projects that meet the commercial low carbon buildings sector criteria set out in the CBI standards from time to time, this is intended to be the entire portfolio of buildings owned by ICPF (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
- Any other green financing instruments approved by the CBI.

### 2.2 Process for Evaluation and Selection

In order to govern the Framework and, critically, to evaluate and select use of Green Debt proceeds as issuances are contemplated, Investa will include a standing Green Debt Progress yearly agenda item on the independent responsible entity board of the trusts that comprise of Investa Commercial Property Fund.

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<sup>1</sup> f <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

<sup>2</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>

The responsible entity board of the Investa Commercial Property Fund is attended by the independent board of Investa Wholesale 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. [www.investa.com.au](http://www.investa.com.au)

For the ICPF Green Bond issuance in April 2017, Investa reviewed its portfolio of office buildings and identified five 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.

For the existing Green Bond Issuance and subsequent Green Debt issuance – i.e. further Green Bonds and Loans, Investa has expanded this earmarking to include ICPF's full portfolio of commercial office buildings, with limited exceptions described below, as Earmarked Assets. This expanded pool of Earmarked Assets must continue to 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 ICPF's portfolio that will not automatically be included as Earmarked Assets are those office buildings in which interest has been acquired by ICPF 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 ICPF sufficient time to make any required improvements. Core long term investment assets will be considered within 24 months post acquisition, or at ICPF'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 ICPF is labelled a Pureplay green entity, and ICPF intend to maintain this Pureplay label over time. In the event ICPF is no longer deemed a Pureplay green entity, Green Debt will not include Revolving Credit Facilities and instead ICPF 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 legal. 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

- 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 REVEL, (ICPF's 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.
- Upon reaching financial close on Green Loans, Investa's treasury team will track the full value of committed bank lending as proceeds from the Green Loan, and these funds will be used to repay existing debt facilities and tagged via journal entry as use of the Green Debt proceeds

Investa will maintain a register of ICPF'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

Where the value of the Green Debt outstanding exceeds the value of the Earmarked Assets, Unallocated Proceeds exist. If Unallocated Proceeds exist, Investa will review the ICPF 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, ICPF 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 (Green Bonds and Green Loans) 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**

ICPF will pursue a programmatic assurance process, where all green debt is assured on an annual basis, in line with the yearly data assurance programme.

Annual assurance documentation will be shared with investors via the Investor Portal.

Note – all Assurance statements have been/will be reported to investors and bank lenders in line with Investa's usual annual reporting cycle, and will be made available on Investa's website.

### **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 ICPF Green Debt, Investa will disclose:

- the Framework prior to the first Green Debt issuance and make it and any updates available on the ICPF Investor Portal for all Green Debt investors as amended from time to time.
- all Assurance reports received during life and make them available on the ICPF Investor Portal (to the extent allowed by the Assurer).
- any certifications sought either pre-issuance or during life
- any certifications sought either pre-issuance or during life and make them available on the ICPF Investor Portal (to the extent allowed by the certifier)
- annual reporting on the use of Proceeds against CBI thresholds in the ICPF 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 ICPF 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 2 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)	Emission intensity (kgCO2-e/m2)	NABERS Energy Rating <sup>1</sup>	NABERS Water Rating <sup>1</sup>	CBI Threshold	Headroom
40 Mount Street, North Sydney	28,461	40.95	5.5	4.5	63.88	-36%
259 Queen Street, Brisbane	24,794	73.47	5	4.5	63.03	17%
567 Collins Street, Melbourne	54,190	32.99	5.5	5.5	62.45	-47%
201 Kent Street, Sydney	40,502	23.53	5.5	4.5	63.88	-63%
1 Market Street, Sydney	29,204	28.55	5	4.5	63.88	-55%
135 King Street, Sydney (Office)	27,145	22.37	5.5	4.5	63.88	-65%
126 Phillip Street, Sydney	41,492	59.49	5	4.5	63.88	-7%
420 George Street, Sydney	37,598	20.87	5	4	63.88	-67%
120 Collins Street, Melbourne	63,453	64.10	4.5	5.5	62.45	3%
250 St Georges Terrace, Perth	61,197	27.03	5.5	4	49.03	-45%
117 Clarence Street, Sydney	11,339	27.34	5	4.5	63.88	-57%
60 Martin Place, Sydney	39,276	39.87	**	**	63.88	-38%
<b>Total</b>	<b>458,651</b>	<b>39.34</b>			<b>61.48</b>	<b>-36%</b>

<sup>1</sup> NABERS ratings at September 2021

\*Note emissions intensity sits below the weighted average CBI threshold of 61.48kg.CO2-e/m2/yr.

\*\*60 Martin Place is yet to receive its first NABERS Ratings, having not yet been operational for the full 12-month cycle required

## Appendix 2: Listing of Green Debt Issued as at 30 June 2021

Facility name	Financial Close / Settlement Date	Maturity date	Value	CBI Weighted Average Threshold
2017 Green Bond	21/04/2017	21/04/2027	A\$100M	72.29
2018 ANZ Green Loan	23/11/2018	31/03/2024	A\$170M	74.82
2019 HSBC Green Loan	28/06/2019	25/06/2021	\$100M	75.40
2019 CBA Green Loan	21/08/2019	21/08/2020	\$100M	76.66
2019 Westpac Green Loan	18/10/2019	09/10/2024	\$100M	71.63
2020 ANZ Green Loan	25/03/2020	25/03/2025	\$300M	69.05
2020 NAB Green Loan	09/04/2020	09/04/2025	\$100M	69.05
2020 CBA Green Loan	08/05/2020	08/05/2023	\$100M	71.56
<b>Total</b>			<b>\$1.07B</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; Investors/Bank Lenders	Against CBI targets	IOM Sustainability Manager	Pre-trade	2.2 Process for Evaluation and Selection
	Seek assurance & verification	Investors/Bank Lenders	EY + CBI applications and approvals	IOM Sustainability Manager	Pre and post trade	2.4 External Review
	Monitor and maintain the asset register	IOM & Investors/Bank Lenders	Via half yr reporting	IOM Sustainability Manager and Finance teams	Half yearly	2.5 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 + Investors/Bank Lenders	Accounting system	ICPF Financial Controller	Trade date	2.3 Management of Proceeds
<b>Unallocated Proceeds</b>	Advise of unallocated proceeds	CBI + Investors/Bank Lenders	CBI approved investments	Assistant Treasurer	As and when required by CBI	2.3 Management of Proceeds
	Appropriate management of unallocated proceeds	CBI + Investors/Bank Lenders	CBI approved investments	Assistant Treasurer	As and when required by CBI	2.3 Management of Proceeds
<b>Green Bond Documentation</b>	Pricing supplement "Green Bond" compliant	CBI, EY + Investors/Bank Lenders	Pricing supplement Doc	Assistant Treasurer	Trade Date	NA
<b>Green Loan Documentation</b>	Incorporate Green Debt details into standard loan/bond documentation	CBI & Investors/Lenders	Pricing Supplement / Facility Agreement	Assistant Treasurer	Financial Close	NA

<b>Reporting</b>	Annual progress report of Earmarked Assets against CBI targets	Investors/Bank Lenders	Annual report	IOM General Manager Sustainability	EOFY	2.5 Disclosure & Reporting
	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 + Investors/Bank Lenders	Annual Report	IOM General Manager Sustainability	Annual	2.4 External Review
	Non-compliance notification	EY + 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	IOM	StarCentral	IOM General Manager Sustainability	Pre-Issuance	2.5.2 Record Retention
	File all pertinent documentation to StarCentral	IOM	StarCentral	IOM General Manager Sustainability	Ongoing	2.5.2 Record Retention