

Independent Limited Assurance Report to the Directors and Management of Kiwi Property Group Limited

Assurance conclusion

Based on our limited assurance procedures, as described in this statement as of 30 March 2021, nothing came to our attention that caused us to believe that the following outstanding Green Bonds (“the Bonds or “the Green Bonds”) issued by Kiwi Property Group Limited (“Kiwi Property Group”):

- ▶ KPG 20/08/21 6.15% - Kiwi Property Group Bonds (KPG010)
- ▶ KPG 07/09/23 4.00% - Kiwi Property Group Bonds (KPG020)
- ▶ KPG 19/12/24 4.33% - Kiwi Property Group Bonds (KPG030)
- ▶ KPG 12/11/25 4.06% - Kiwi Property Group Bonds (KPG040)

have not been presented, in all material respects, fairly and in accordance with the International Capital Market Association (“ICMA”) Green Bond Principles (June 2018), Loan Market Association (“LMA”) Green Loan Principles (December 2018) and Kiwi Property Group’s Sustainable Debt Framework (“Criteria”).

Other Matters

We draw attention to the use of external property valuations to determine whether the value of the total project pool exceeds the combined value of Kiwi Property Group’s Green Bonds. These external property valuations have been prepared as at 30 September 2020 and contain paragraphs explaining the valuations have been concluded on the basis of material valuation uncertainty due to the impact of the COVID-19 pandemic on the property market, indicating that less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. Our opinion is not modified in respect of this matter.

Scope

Ernst & Young (‘EY’, ‘we’) was engaged by Kiwi Property Group to undertake a limited assurance engagement, as of 30 March 2021, in relation to Kiwi Property Group’s Green Bonds in order to provide an opinion as to whether the subject matter detailed below (‘Subject Matter’) meets, in all material respects, the Criteria as present below.

Subject Matter and Criteria

The subject matter and associated criteria for this limited assurance engagement are set out in the table below.

Subject Matter	Criteria
<p>The subject matter for this limited assurance engagement includes:</p> <ul style="list-style-type: none"> ▶ Environmental performance and information relating to additional projects to be funded by the Bonds ▶ Policies and procedures relating to the management of the Bonds ▶ Kiwi Property Group’s green borrowing documentation including Kiwi Property Group’s Sustainable Debt Framework. 	<p>The ICMA Green Bond Principles (June 2018) and the LMA Green Loan Principles (December 2018) requirements on:</p> <ul style="list-style-type: none"> ▶ Use of Proceeds ▶ Process for Project Evaluation and Selection ▶ Management of Proceeds ▶ Reporting.
<p>Technical details of the assets identified as ‘green’ (‘Green Assets’)</p>	<p>Use of Proceeds and Eligibility Criteria from Kiwi Property Group’s Sustainable Debt Framework that eligible assets are buildings (including upgrades) that meet the following criteria:</p> <ul style="list-style-type: none"> ▶ Certified as obtaining or targeting a minimum 5-Star NZGBC Green Star Design and/or Built rating; or ▶ Certified as obtaining or targeting a minimum 4-Star NABERSNZ Energy Base Building Rating or Energy Whole Building Rating.

Management Responsibility

The management of Kiwi Property Group is responsible for the preparation and fair presentation of the Subject Matter. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the Subject Matter that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances.

Assurance Practitioner's Responsibility

Our responsibility is to express a conclusion on whether anything has come to our attention that causes us to believe that the Subject Matter, has not been presented, in all material respects, fairly and in accordance with the criteria detailed above. Our assurance engagement has been planned and performed in accordance with the International Standard on Assurance Engagements (New Zealand) 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ('ISAE (NZ) 3000').

Level of Assurance

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

Our Approach

Our assurance procedures performed included, but were not limited to:

- ▶ Reviewing whether the policies and procedures established by Kiwi Property Group related to the post issuance of the Green Bonds to assess whether they were aligned to the requirements of the ICMA Green Bond Principles (June 2018) and LMA Green Loan Principles (December 2018)
- ▶ Confirming the eligibility of assets for inclusion in Kiwi Property Group's Green Bonds use of proceeds pool against Kiwi Property Group's Sustainable Debt Framework
- ▶ Interviewing selected business units and group level personnel to understand key issues related to Kiwi Property Group's relevant policies and procedures
- ▶ Checking the accuracy of asset valuations and project costs
- ▶ Requesting documentation supporting assertions made in the Subject Matter
- ▶ Seeking management representation on key assertions.

Limitations

There are inherent limitations in performing assurance – for example, assurance engagements are based on selective testing of the information being examined – and it is possible that fraud, error, or non-compliance may occur and not be detected. There are additional inherent risks associated with assurance over non-financial information including reporting against standards which require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to ISAE (NZ) 3000, the ICMA Green Bond Principles (June 2018) and LMA Green Loan Principles (December 2018) is subjective and will be interpreted differently by different stakeholder groups.

Our assurance was limited to Kiwi Property Group's Green Bonds and did not include statutory financial statements. Our assurance is limited to policies and procedures in place as of 30 March 2021. Partners and employees may deal with Kiwi Property Group on normal terms within the ordinary course of trading activities of the business of Kiwi Property Group. We have no other relationship with, or interest in, Kiwi Property Group.

Use of Report

Our responsibility in performing our assurance activities is to the Directors and Management of Kiwi Property Group only and in accordance with the terms of reference for this engagement as agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on Kiwi Property Group's Green Bonds is entirely at its own risk. No statement is made as to whether the criteria are appropriate for any third-party purpose.

Our Independence and Assurance Team

In accordance with APES 110 *Code of Ethics for Assurance Practitioners*, the firm and all professional personnel involved in this engagement have met the independence requirements of New Zealand or International professional ethical requirements. Our team has the required competencies and experience for this assurance engagement.

Observations on particular aspects of our engagement:

We provide selected observations aligning to the ICMA Green Bond Principles (June 2018) and LMA Green Loan Principles (December 2018) core components, to provide the reader with further understanding on how these Green Bonds meet the Criteria. These observations are not intended to detract from our conclusion provided above.

Use of Proceeds:

- ▶ Proceeds from the Green Bonds are intended to be used for financing and re-financing purposes.
- ▶ Proceeds are intended to be allocated to buildings owned by Kiwi Property Group that are certified as obtaining, or are targeting, a minimum of a 5-Star New Zealand Green Building Council (NZGBC) Green Star Design and/or Built rating and/or certified as obtaining, or targeting, a 4-Star NABERSNZ Energy Base Building Rating or Energy Whole Building Rating
- ▶ Any building that fails to meet the Eligibility Criteria set out in the Sustainable Debt Framework or loses its rating during the tenor of the bond will no longer be categorised as an Eligible Asset and the total value of the Eligible Projects will be reduced by the value of the removed asset. Any unallocated proceeds will be used to repay revolving bank debt or invest in cash deposits or cash equivalents until they can be reapplied to Eligible Projects
- ▶ The NZGBC Green Star rating (Green Star NZ) is an internationally recognised standard developed for New Zealand. Green Star NZ is aligned with the other major international building rating tools, including the British BREEAM (Building Research Establishment Environmental Assessment Method) system and the North American LEED (Leadership in Energy and Environmental Design) system. Green Star NZ assesses the overall environmental impact of a building covering the following categories: Energy, Water, Materials, Indoor Environment Quality, Transport, Land Use & Ecology, Management, Emissions, and Innovation. It rates buildings from 0 to 6 Stars. Buildings that achieve a 4, 5, or 6 Star rating receive Green Star certification.
- ▶ NABERSNZ rating is adapted from the National Australian Building Environment Rating System (NABERS) and is a national rating tool for commercial buildings administered by NZGBC. NABERSNZ rates the actual environmental operational performance of office buildings across Energy, Water, Waste and Indoor Environment. It rates buildings from 0 to 6 Stars. Buildings that achieve a 4, 5, or 6 Star rating are assessed as having excellent performance, market leading performance and aspirational performance respectively. From 1st January 2021, a 4-star NABERNZ rating is the minimum requirement for existing buildings, under the Government's recent [Energy Efficient Buildings procurement rules](#).
- ▶ The use of proceeds of these Bonds aligns with the Green Bond Principles 2018 project category "green buildings which meet regional, national or internationally recognised standards and certifications".

Process for Project Evaluation and Selection

- ▶ Kiwi Property Group has developed a Sustainable Debt Framework that outlines the environmental objectives of Green Bonds, eligibility criteria for determining Green Assets and the process for project selection and evaluation. The list of Kiwi Property Group's eligible Green Assets tested is included in Annex A.

Management of Proceeds

- ▶ Kiwi Property Group has implemented processes to manage proceeds received from Green Bonds and to monitor the on-going use of proceeds. These processes include:
 - ▶ An annual process for monitoring the on-going use of proceeds and report on the use of proceeds
 - ▶ A tracking process through existing internal reporting systems to assess project costs, where market valuations are not available
 - ▶ A process for deploying any unallocated proceeds to temporary cash equivalent investments
- ▶ Kiwi Property Group will obtain on-going assurance over the Green Bond portfolio to confirm that the Green Assets continue to meet the ICMA Green Bond Principles (June 2018) and LMA Green Loan Principles (December 2018) and the requirements as set out in the Sustainable Debt Framework.

Reporting

- ▶ Kiwi Property Group will report on the use of proceeds of Green Bonds at least on an annual basis that will include a list of Green Assets, the amount allocated to each Green Asset and the Green Star rating and/or NABERSNZ of each Green Asset.



Ernst & Young Limited

A handwritten signature in blue ink, appearing to read 'Graeme Bennett', is written over a light blue rectangular background.

Graeme Bennett
EY Assurance Partner

30 March 2021

Annex A

Kiwi Property Group's list of eligible green assets

Property	Location	Class	Country
ASB North Wharf	12 Jellicoe Street, Auckland	5 star Green Star (Design) 4.5 star NABERSNZ	New Zealand
ANZ Raranga	286 Mount Wellington Highway, Auckland	5 star Green Star (Design)	New Zealand
The Aurora Centre	56 The Terrace, Wellington	5.5 star NABERSNZ	New Zealand
Vero Centre	48 Shortland Street, Auckland	4.5 star NABERSNZ	New Zealand