

Kiwi Property Sustainable Debt Framework



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Purpose

The purpose of this document is to outline the governance framework which will apply to Sustainable Debt issued by Kiwi Property. As sustainable finance markets continue to evolve, Kiwi Property may make changes to this document over time to remain in line with market best practice.



Introduction to Kiwi Property

Kiwi Property is one of New Zealand’s largest NZX listed property companies, with a portfolio that includes some of the country’s most well-known mixed-use, retail and office assets. Our purpose is to ‘bring places to life’ underpinned by a deeply held commitment to environmental and social governance that dates back almost 20 years.

As a developer, owner and manager of mixed-use communities, we recognise that sustainability is critical to the people who work, visit, shop, socialise and stay at our assets – as well as to the long-term performance of our business. Accordingly, Kiwi Property has a comprehensive and quantifiable sustainability strategy, focused on three priority pillars:

Reducing our environmental footprint
Creating thriving communities
Elevating ESG consciousness



INTRODUCTION

We are committed to delivering a brighter New Zealand by decreasing our resource consumption, and making a positive contribution to society. With our broad reach across multiple stakeholder groups (including tenants, customers, and suppliers), our sustainability strategy also aims to galvanise and empower others to make positive change within their own businesses. By ensuring our assets are resilient, investing in our communities and intensively managing our assets, we not only optimise the performance of our property portfolio, we also drive sustainable returns for our investors.

Kiwi Property aims to lead in an industry where sustainability is a key driver. Amongst our peers, we are well placed, achieving an 'A' rating from the Carbon Disclosure Project in 2020, the only company in New Zealand to do so. In addition, we report against additional sustainability metrics and/or reporting frameworks, including FTSE4Good.

Year on year, Kiwi Property measures the material impacts of its buildings, across energy, waste, water consumption and carbon footprint, and actively seeks to improve these metrics. Key milestones include achieving a 50% reduction in 2020 emissions compared to the 2012 baseline.

Kiwi Property owns and develops low carbon and energy efficient buildings, and maintains a portfolio of highly rated, environmentally sustainable office buildings. We have large solar arrays at a number of our properties and are one of the largest users of commercial solar energy in the country. More than 66 electric vehicle and 35 electric bike charging stations are also available across our portfolio, encouraging customers to adopt more environmentally friendly transport alternatives.

Kiwi Property proudly partners with a range of leading environmental and social organisations, including the New Zealand Green Building Council, Safe Space Alliance and Keystone Trust. In 2020, we gained Be.Lab accessibility accreditation for our entire shopping centre portfolio, the first time a New Zealand company has achieved this milestone.

For more information on Kiwi Property's sustainability efforts and latest sustainability report, please visit <https://www.kiwiproperty.com/corporate/investor-centre/sustainable-debt-framework/>

A reference in this document to "Kiwi Property" includes a reference to Kiwi Property Group Limited, Kiwi Property Holdings Limited and each other group member that provides a cross-guarantee in respect of the indebtedness of the group.



Kiwi Property Sustainable Debt Framework

The establishment of the Kiwi Property Sustainable Debt Framework (the **Framework**) is a natural extension of Kiwi Property’s sustainability strategy and the focus on sustainable business outcomes. This Framework sets out the process by which Kiwi Property intends to use Sustainable Debt on an ongoing basis to finance or refinance low carbon and energy efficient buildings within Kiwi Property’s property portfolio. For the avoidance of doubt, this Framework does not form part of the contractual terms of any Sustainable Debt issued by Kiwi Property.

Sustainable Debt may include:

- **Green Bonds and Loans, and;**
- **Sustainability-Linked Bonds and Loans**

The Framework sets out the processes for these products separately and may be subsequently updated at Kiwi Property’s discretion as relevant market standards and best practices continue to evolve over time.



Green Bonds and Loans

Green Bonds and Loans under the Framework may take the form of:

- **Green Bonds** in accordance with the ICMA Green Bond Principles (**GBP**)¹ and, where appropriate, Climate Bonds Standard (**CBS**) as published by the Climate Bonds Initiative (**CBI**); and
- **Green Loans** in accordance with the APLMA Green Loan Principles (**GLP**)² and, where appropriate, the CBS.

In accordance with the above market standards and best practice, the Framework covers four key components:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds, and
4. Reporting



Use of proceeds

Kiwi Property intends to allocate an amount equal to the proceeds of Green Bonds and Loans to finance or refinance low carbon and energy efficient buildings based on the Green Star or NABERSNZ rating tools that constitute Eligible Projects (see the section “Eligible Projects” below). Eligible Projects will also be consistent with the eligible green projects contemplated by the GBP and the GLP, and the following United Nations Sustainable Development Goals (**SDGs**):

SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation; and

SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable.

¹ <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf

Eligible Projects

Existing and/or planned buildings, including upgrades, will be eligible to be categorised and labelled as an Eligible Project, if they meet one or more of the following criteria:

- 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.

Buildings that do not have one of the above current ratings but are targeting a particular rating will also qualify if evidence can be provided that indicates the targeted rating will be achieved.

Kiwi Property intends to ensure that the aggregate value of its Eligible Projects is at least equal to the aggregate amount of all outstanding Green Bonds and Loans.

Each Eligible Project will be valued at its latest market valuation or at cost where a separate market valuation has not been obtained.

If a building no longer meets the eligibility criteria set out in this Framework, Kiwi Property will:

- Cease to categorise that building as an Eligible Project; and
- Reduce the aggregate value of its Eligible Projects by the value of that building.

A list of Eligible Projects will be published within the annual 'use of proceeds' reporting. For any Green Bonds or Loans that are certified by the CBI as complying with the CBS, the ongoing certification status will be noted within these reports.

Process for project evaluation and selection

Kiwi Property has processes in place to ensure that Eligible Projects are identified and evaluated to ensure compliance with this Framework. In determining eligibility of Kiwi Property's low carbon and energy efficient buildings, Kiwi Property utilises the following rating tools, where applicable:

- **NABERSNZ rating.** Assets across the portfolio are rated as part of Kiwi Property's ongoing monitoring of its operational assets. NABERSNZ is a system for rating the energy efficiency of office buildings. It is an independent tool, backed by the New Zealand government.
- **Green Star rating.** Green Star is an internationally recognised rating system for the sustainable design, construction and operation of buildings and fit-outs. Green Star provides a trusted mark of independent verification to support decision-making.

Once buildings are determined to have met the relevant criteria for inclusion, they will be included as Eligible Projects.



Management of proceeds

Upon the establishment of this Framework, Kiwi Property:

- Will classify its existing bonds as Green Bonds; and
- Although those bonds were raised for general corporate purposes, will allocate an amount equal to the proceeds of those bonds to finance or refinance Eligible Projects.

When Kiwi Property issues new Green Bonds or Loans, those bonds or loans will be issued for the purpose of financing or refinancing an Eligible Project, and Kiwi Property will allocate an amount equal to the proceeds of the Green Bonds or Loans to finance or refinance an Eligible Project.

Kiwi Property will maintain a register of Eligible Projects that outlines their current value, allocation of proceeds and the NABERSNZ and/ or Green Star rating of each building.

Kiwi Property intends to monitor the allocation of proceeds and the current value of Eligible Projects on a yearly basis, aligned to the end of year annual financial reporting process.

Kiwi Property will service its debt obligations under Green Bonds and Loans out of its general cashflows and not specifically from revenues generated by Eligible Projects alone.

Unallocated proceeds or surplus funds

Kiwi Property does not intend to have any unallocated proceeds from Green Bonds or Loans. However, if this occurred:

- Kiwi Property will apply an amount equal to those unallocated proceeds to repay revolving bank debt or invest in cash deposits or cash equivalents until such time as Kiwi Property is able to allocate an amount equal to those unallocated proceeds to finance or refinance Eligible Projects;
- No contractual right of review or repayment will arise, and no loss of green classification will occur; and
- Kiwi Property will disclose this information within the annual Use of Proceeds reporting.

Reporting

Kiwi Property understands the importance of transparency and disclosure. All reporting will be in line with applicable market standards. Impact reporting may be provided where applicable or incorporated within use of proceeds reporting.

The following reporting will be publicly available following establishment of the Framework:

Document	Timing
Sustainable Debt Framework	At the time of establishment of the Framework (subsequently updated at Kiwi Property's discretion)
Assurance statements	At the time of establishment of the Framework and then annually, aligned to the end of year financial reporting process
Use of proceeds reporting	Annually, aligned to the end of year financial reporting process

Reporting

Use of proceeds reporting

Kiwi Property intends for annual Use of Proceeds reporting to include:

- Summary of Eligible Projects, including location, type of asset and asset value;
- Current NABERSNZ and/or Green Star rating;
- Confirmation of the aggregate amount of Green Bonds and Loans outstanding;
- Disclosure of any unallocated proceeds;
- Alignment with relevant SDGs;
- Confirmation of compliance with applicable market standards; and
- Assurance updates or the most recent assurance report.

Impact Reporting

Kiwi Property may also report on relevant environmental impact metrics, where feasible. Examples of impact indicators that may be reported include NABERSNZ rating, floor space of qualifying green real estate (m²), carbon footprint by building, and reduction over time (tCO₂).

Assurance

In accordance with the applicable market standards, Kiwi Property sought assurance from an approved verifier prior to establishment of the Framework and will seek further assurances on an annual basis for the use of proceeds issued under this Framework, and as deemed necessary by Kiwi Property. Confirmation of assurance will be made publicly available.

Sustainability-Linked Bonds and Loans

Sustainability-Linked Bonds and Loans are distinct from Green Bonds and Loans as described above. Proceeds from Sustainability-Linked Bonds and Loans are utilised for general corporate purposes. The proceeds are not required to be allocated towards, monitored or tracked against any specific purpose.

Sustainability-Linked Bonds and Loans issued under the Framework may take the form of:

- Sustainability-Linked Bonds in accordance with the ICMA Sustainability-Linked Bond Principles (**SLBP**)³
- Sustainability-Linked Loans in accordance with the APLMA Sustainability-Linked Loan Principles (**SLLP**)⁴

In accordance with the above market standards and best practice, the Framework covers five key components:

1. Selection of key performance indicators (**KPIs**);
2. Calibration of Sustainability Performance Targets (**SPTs**);
3. Financial characteristics;
4. Reporting; and
5. External review.

The above components form part of the SLBP. The SLLP has four key components, which are substantially similar and aligned to those above, and references for Sustainability-Linked Loans will be highlighted where required.

³ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

⁴ https://www.lma.eu.com/application/files/5115/8866/8901/Sustainability_Linked_Loan_Principles_V032.pdf

Selection of KPIs

When undertaking an issuance of Sustainability-Linked Bonds or Loans, Kiwi Property will communicate how the instrument and selected KPIs relate to elements of Kiwi Property's sustainability strategy and the Framework that are material to the company's overall performance.

Kiwi Property is committed to delivering a brighter New Zealand by reducing its resource consumption, supporting community building and providing a reliable investment option via a resilient and high-quality property portfolio.

For the issuance of Sustainability-Linked Bonds or Loans, where the bond coupon or the loan margins are linked to the achievement of sustainability targets, Kiwi Property has provided the following metrics as a guide for potential target setting:

- NABERSNZ building ratings;
- Green Star building ratings;
- Ratings on a subset of properties or Kiwi Property's total portfolio;
- Energy, water or waste consumption for properties, or on a portfolio basis;
- Greenhouse gas (GHG) emissions for properties, or on a portfolio basis; and
- Other environmental or social sustainability metrics that are relevant to Kiwi Property's overall sustainability strategy and this Framework.

Selection of sustainability performance targets

Kiwi Property will ensure the targets set and metrics used will be meaningful to Kiwi Property's sustainability programme and will be aligned to the group's sustainability strategy.

Measurement of performance with respect to selected SPTs for any Sustainability-Linked Bonds or Loans will be undertaken periodically as relevant for the selected targets. At a minimum, measurement will be annual.

Material factors that may impact the achievement of SPTs (either positively or negatively) will be disclosed in the relevant documentation for each Sustainability-Linked Bond or Loan.

Financial characteristics

The proceeds of Kiwi Property's Sustainability-Linked Bonds and Loans will be used for general corporate purposes, unless otherwise stated. These transactions will feature financial and/or structural characteristics that encourage the achievement of the SPT. This may include both penalties and/or incentives, depending on the transaction.

The magnitude of the coupon or margin adjustment, as well as the effective date(s) (otherwise known as trigger date(s)) will be detailed in the relevant documentation for each transaction.

External review

Kiwi Property will undertake an appropriate external verification for each Sustainability-Linked Bond or Loan on issue. This includes external assurance of sustainability performance prior to issuance and ongoing performance in relation to the selected SPTs for each issuance.

Reporting

For Sustainability-Linked Loans, Kiwi Property and the arranging bank(s) will agree on appropriate reporting parameters and the schedule for disclosing information on sustainability performance to the lenders.

For Sustainability-Linked Bonds, at a minimum, Kiwi Property will undertake annual public reporting regarding the issuance and performance in relation to the SPTs. This reporting will be available in Kiwi Property's annual report and website, and will include relevant information relating to the aspects of Section 2 of this Framework.

At issuance, Kiwi Property will disclose the reporting that will be provided, including its location, frequency, scope and assurance commitments. Kiwi Property will ensure the provision of timely information regarding the performance in relation to the selected SPTs for each transaction.

Governance

Kiwi Property's Audit and Risk Committee (**ARC**) and Environmental, Social and Governance Committee (**ESGC**) will oversee matters relating to sustainable debt. The ARC is a sub-committee of the Company's Board, responsible for oversight of matters including financial management and controls, reporting and risk management. The ESGC is a sub-committee of the Company's Board, responsible for reviewing and recommending to the Board for approval the ESG strategy, frameworks and initiatives, amongst other things. The ARC and ESGC meet at least quarterly and will consider sustainable debt issues and opportunities on an ongoing basis.

Further information

More information on Kiwi Property's sustainability strategy and performance can be found at:

Sustainability: <https://www.kiwiproperty.com/corporate/sustainability/>

Latest Kiwi Property Annual Report: <https://view.publitas.com/kiwi-property-89am9pxqykbk/kiwi-property-annual-report-2020/page/1>

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