



**Sustainable Debt Framework**  
May 2023

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## Purpose

This document outlines the governance framework (Framework) that applies to Sustainable Debt issued by Kiwi Property.



# Introduction to Kiwi Property

Kiwi Property is one of New Zealand's largest NZX listed property companies. We own, invest in, develop and manage some of the country's most well-known properties.

**Our purpose is to 'create connected communities' underpinned by a deeply held commitment to environmental, social and governance (ESG) factors, that dates back over 20 years.**

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:

- **Places** – creating places that promote wellbeing and have a positive environmental impact.
- **People** – creating vibrant communities that bring people together and where everyone feels they belong.
- **Partnerships** – connecting and empowering our partners to deliver social and environmental change.

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 first New Zealand company to do so. In addition, we benchmark our ESG performance using GRESB, a standardised and globally recognised framework for the real estate industry.

Year on year, Kiwi Property measures the material impacts of its buildings, across energy, waste, water consumption and carbon footprint metrics. Key milestones include achieving a 60% reduction in FY22 emissions from operations, compared to the 2012 baseline.

We own, invest in, develop and manage low carbon and energy efficient buildings. We have large solar arrays at a number of our properties. Electric vehicle and bike charging stations are also available at most of our assets, encouraging customers to adopt more environmentally friendly transport alternatives.

Kiwi Property proudly supports a range of leading environmental and social organisations, including the Mental Health Foundation, 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, one of the first New Zealand companies to achieve this milestone.

For more information on Kiwi Property's sustainability efforts and the latest sustainability report, please visit [www.kiwiproperty.com/corporate/sustainability/](http://www.kiwiproperty.com/corporate/sustainability/)

# Sustainable Debt Framework

This Framework is designed to govern Kiwi Property's use of Sustainable Debt on an ongoing basis.

Sustainable Debt may include:

- Green Bonds and Loans; and
- Sustainability-Linked Bonds and Loans.

This Framework sets out the processes for these products separately and may be amended from time to time at Kiwi Property's discretion, including as relevant market standards and best practices continue to evolve.

A reference in this Framework to:

- we, our and Kiwi Property includes a reference to (a) 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; and (b) in relation to property management functions, any other company established by Kiwi Property to provide investment management services on its behalf; and
- Green Debt proceeds means an amount equal to the proceeds of Green Bonds and Green Loans.

## Important Notice

This Framework does not form part of the contractual terms of any Sustainable Debt issued by Kiwi Property. This means there is no legal obligation for Kiwi Property to comply with this Framework or the relevant market standards described in this Framework on an ongoing basis. If Kiwi Property fails to comply with this Framework or the relevant market standards:

- this does not constitute an event of review, event of default or any other breach in relation to the Green Bonds and/or Green Loans;
- there is no requirement on Kiwi Property to repay the Green Bonds and/or Green Loans early; and
- the Green Bonds and/or Green Loans may cease to be labelled as "green".

If Kiwi Property fails to comply with this Framework or the relevant market standards, or if any Green Bonds and/or the Green Loans cease to be labelled as "green", Kiwi Property will set out this information in its annual use of proceeds reporting.

# 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)<sup>1</sup> 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)<sup>2</sup> 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.

## 1. Use of proceeds

Kiwi Property intends to allocate Green Debt proceeds to finance or refinance its direct and indirect investments in low carbon and energy efficient buildings that constitute Eligible Projects (see below).

Kiwi Property may allocate Green Debt proceeds to refinance low carbon and energy efficient buildings without any limitation on the look-back period provided the buildings constitute Eligible Projects at the time of refinancing.

A reference in this Framework to Green Debt proceeds being “allocated” means a notional allocation in Kiwi Property’s systems.

### Eligible Projects

#### Criteria

To qualify as an Eligible Project, a low carbon and energy efficient building must meet one or more of the following criteria:

- Certified as obtaining, or targeting, a minimum 5-Star NZGBC Green Star Design (for planned buildings) and/or Built (for existing buildings) rating. Green Star is an internationally recognised rating system for the sustainable design, construction and operation of buildings and fit-outs;
- Certified as obtaining, or targeting, a minimum 4-Star NABERSNZ Energy

Base Building rating or Energy Whole Building rating. NABERSNZ is a system for rating the energy efficiency of office buildings. It is an independent tool, backed by the New Zealand government;

- Certified as obtaining, or targeting, a minimum 7-Star Homestar rating. Homestar is an independent rating tool for assessing the health, efficiency and sustainability of residential properties; or
- Any other green building rating that is a recognised equivalent standard to one of those above.

Existing and/or planned buildings that are targeting (but are yet to receive) one or more of the above ratings criteria may also qualify as an Eligible Project where we have evidence indicating that the rating will be achieved.

#### Ownership or investment interest

Eligible Projects may include existing and/or planned buildings that Kiwi Property:

- owns outright;
- owns in part (for example, through an unincorporated joint venture); or
- has an interest in because we hold a direct or indirect equity investment in the owner of the relevant buildings, where the entity in which we invest derives at least 90% of its revenue from green or green targeted assets (an equity investment).

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

<sup>2</sup> <https://www.lsta.org/content/green-loan-principles/>

Interests that fall within either of the final two investment categories above will only qualify as Eligible Projects if Kiwi Property is also the appointed manager of the buildings. Kiwi Property's management is intended to ensure alignment with our sustainability strategy and this Framework.

Where Kiwi Property partially owns an Eligible Project, the amount of Green Debt proceeds we may allocate to finance or refinance that Eligible Project will not exceed our proportionate share of the Eligible Project.

Where Kiwi Property has an interest in Eligible Projects through an equity investment, the amount of Green Debt proceeds we may allocate to finance or refinance our equity investment will not exceed the proportionate value of those Eligible Projects equal to the percentage of our equity investment. However, if the relevant owner of those Eligible Projects issues its own green bonds or loans to finance or refinance such Eligible Projects, Kiwi Property will immediately reduce the allocation of our Green Debt proceeds on a proportionate basis so that there is no double counting.

#### Valuation

Each Eligible Project is valued at its latest independent market valuation or at cost (or projected cost if the Eligible Project is not yet complete) where a separate market valuation has not been obtained. When determining the projected cost of an incomplete Eligible Project, Kiwi Property relies on the professional judgement of its development and senior management teams and any relevant external advice (for example, a quantity surveyor).

#### Continued monitoring

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 the pool of 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.

### 2. Process for project evaluation and selection

Kiwi Property manages the process of selecting and evaluating whether an existing and/or planned building may qualify as an Eligible Project by:

- utilising the external star rating tools summarised above and, in the case of a planned building, assessing the evidence indicating that a rating will be achieved;
- assessing alignment with the eligible green projects contemplated by the GBP or, as applicable, the GLP and the following United Nations Sustainable Development Goals (SDGs):
  - SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation; and
  - SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable;
- assessing alignment with Kiwi Property's wider sustainability strategy and objectives;

- assessing any potential negative social and/or environmental impacts from the building and mitigants to these impacts;
- obtaining external advice where appropriate; and
- applying professional judgement and sustainability knowledge.

Once a building is determined to have met the relevant criteria for inclusion, it will be included as an Eligible Project.

### 3. Management of proceeds

In accordance with this Framework, Kiwi Property intends to allocate Green Debt proceeds to finance or refinance its direct and indirect investments in Eligible Projects.

Kiwi Property maintains a register of Eligible Projects that outlines (among other things) their current value, allocation of proceeds, the applicable NABERSNZ, Green Star and/or Homestar rating(s), and the level of Kiwi Property's ownership interest.

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

Kiwi Property services 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**

In the event that there are unallocated Green Debt proceeds:

- Kiwi Property will apply an amount equal to those unallocated proceeds to repay revolving bank debt or to invest in cash deposits or cash equivalents until Kiwi Property is able to allocate an amount equal to those unallocated proceeds in accordance with this Framework;
- 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.

Kiwi Property will endeavour to allocate any unallocated Green Debt proceeds in accordance with this Framework as soon as practicable.

## **4. Reporting**

Kiwi Property understands the importance of transparency and disclosure. All reporting will be in line with applicable market standards.

The reporting described below will be publicly available.

### **Use of proceeds reporting**

Kiwi Property intends for annual use of proceeds reporting (aligned to the end of year financial reporting process) to include:

- summary of the pool of Eligible Projects, including location, type of asset, whether complete or in development, ownership or investment interest and valuation (adjusted to reflect our ownership or investment interest);
- current NABERSNZ, Green Star and/or Homestar rating(s);
- 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 will also report on relevant environmental impact metrics in its sustainability report. Examples of impact indicators that may be reported include the relevant building rating, floor space of qualifying green real estate (m<sup>2</sup>), carbon footprint by building, and reduction over time (tCO<sub>2</sub>).

### **Assurance**

In accordance with the applicable market standards, Kiwi Property will seek assurance from an approved limited assurance provider 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.

### **Sustainable Debt Framework**

Any amendments to the Framework 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)<sup>3</sup>; and
- Sustainability-Linked Loans in accordance with the APLMA Sustainability-Linked Loan Principles (SLLP)<sup>4</sup>.

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

1. Selection of key performance indicators (KPIs);
2. Selection of sustainability performance targets (SPTs);
3. Financial characteristics;
4. External review; and
5. Reporting.

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

## 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;
- Homestar 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.

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

<sup>4</sup> <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

## 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

## Contacts

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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://www.kiwiproperty.com/corporate/annual-result/>

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