

Assurance conclusion

Based on our limited assurance procedures, as described in this statement as of 1 October 2020, nothing has come to our attention to cause us to believe that the third Green Bond to be issued by of Argosy Property Limited (“Argosy”) are not in alignment with the International Capital Market Association (“ICMA”) Green Bond Principles (June 2018) and the Argosy Green Bond Framework.

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 Argosy’s outstanding Green Bonds and the proposed third issue of Green Bonds (‘the Bond or “this Green Bond”’). Some of these external property valuations have been prepared as at 31 March 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 Argosy to undertake a limited assurance engagement, as of 1 October 2020, in relation to the proposed use of funds raised through the issuance of the Bond. This includes verification that the assets added post-issuance to the Bond’s eligible asset pool meet the specified Bond criteria.

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 Bond ▶ Policies and procedures relating to the management of the Bond ▶ Argosy’s Green Bond documentation including its Green Bond Framework. 	<p>The ICMA Green Bond Principles (June 2018) requirements on:</p> <ul style="list-style-type: none"> ▶ Use of Proceeds ▶ Process for Project Evaluation and Selection ▶ Management of Proceeds ▶ Reporting. <p>Criteria found at: The ICMA Green Bond Principles 2018¹.</p>
<p>Technical details of the assets identified as ‘green’ (‘Green Assets’)</p>	<p>The ‘Use of Proceeds’ and ‘Eligibility Criteria’ sections from Argosy’s Green Bond Framework state that eligible assets are office, industrial or retail buildings (including upgrades) that meet the following criteria:</p> <ul style="list-style-type: none"> ▶ Certified as obtaining or targeting a minimum 4-Star NZGBC Green Star 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 Argosy 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.

¹ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Green-Bonds-Principles-June-2018-270520.pdf>

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 the policies and procedures established by Argosy related to the pre-issuance of the Bond to assess whether they were aligned to the requirements of the Green Bond Principles
- ▶ Confirming the eligibility of assets for inclusion in Argosy's Green Bond use of proceeds pool against Argosy's Green Bond Framework
- ▶ Interviewing selected business units and group level personnel to understand key issues related to Argosy's relevant policies and procedures
- ▶ Comparing the total value of the green asset pool (with the total value defined at the respective 31 March valuations from the year the property entered the pool and planned or spent capital expenditure to improve the building) to the value of the outstanding and proposed bonds. We did not perform any procedures to assess or validate the appropriateness of the relevant external property valuations
- ▶ 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 and the Green Bond Principles is subjective and will be interpreted differently by different stakeholder groups.

Our assurance was limited to Argosy's Green Bond pre-issuance, and did not include statutory financial statements. Our assurance is limited to policies and procedures in place as of 1 October 2020, ahead of the issuance of the Bond. The firm has no other relationship with, or interests in, Argosy.

Use of Report

Our responsibility in performing our assurance activities is to the Directors and Management of Argosy 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 Argosy's Green Bond issuance 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' core components, to provide the reader with further understanding on how this Green Bond meets the criteria. These observations are not intended to detract from our conclusion provided above.

Use of Proceeds:

- ▶ Proceeds from this Green Bond are intended to be used for re-financing purposes.
- ▶ The value of the existing eligible assets is based on their externally assessed fair market value at 31 March of the year the building entered the green asset pool. The value of new eligible assets is based on budgeted capital expenditure.
- ▶ Proceeds are intended to be allocated to office, industrial and retail buildings (including upgrades) owned or undertaken by members of Argosy that have, or are targeting, a minimum of a 4-Star New Zealand Green Building Council (NZGBC) Green Star Built rating and/or a 4-Star NABERSNZ Energy Base Building Rating or Energy Whole Building Rating.
- ▶ Any building that fails to receive a 4-Star minimum rating or loses its rating during the tenor of the Bond will be removed from the Bond's use of proceeds pool.
- ▶ 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.
- ▶ The use of proceeds of the Bond aligns with the Green Bond Principles' project category "green buildings which meet regional, national or internationally recognised standards and certifications".

Process for Project Evaluation and Selection

- ▶ Argosy has developed a Green Bond 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 Argosy's eligible Green Assets tested is included in Annex A.

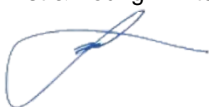
Management of Proceeds

- ▶ Argosy has set-up a Green Bond Working Group to oversee the governance of Green Bonds.
- ▶ Argosy has implemented processes to manage proceeds received from Green Bonds and to monitor the on-going use of proceeds. These processes include:
 - ▶ A tracking process through existing systems to allocate funds received to Green Assets.
 - ▶ A process for deploying any unallocated proceeds temporarily to assets such as cash or cash equivalent investments.
 - ▶ A semi-annual process for monitoring the on-going use of proceeds.
- ▶ Argosy will obtain pre-issuance assurance over each Green Bond issuance and has committed to seeking independent annual assurance to confirm that the Green Assets continue to meet the Green Bond Principles and the requirements as set out in the Green Bond Framework.

Reporting

- ▶ Argosy will report on the use of proceeds of Green Bonds at least semi-annually that will include a list of Green Assets, the amount allocated to each Green Asset and the Green Star rating and/or NABERSNZ rating of each Green Asset.

Ernst & Young Limited



Graeme Bennett
EY Assurance Partner

1 October 2020

Annex A

Argosy's list of eligible green assets

Existing Green Assets:

Nominated Project	Class	Country
143 Lambton Quay, Wellington	Green Buildings	New Zealand
15-21 Stout Street, Wellington	Green Buildings	New Zealand
82 Wyndham Street, Auckland	Green Buildings	New Zealand
Highgate Parkway, Auckland	Green Buildings	New Zealand
107 Carlton Gore Road, Auckland	Green Buildings	New Zealand
302 Great South Road, Auckland	Green Buildings	New Zealand
308 Great South Road, Auckland	Green Buildings	New Zealand

Planned Green Assets:

Nominated Project	Class	Country
8 Willis Street, Wellington	Green Buildings	New Zealand
360 Lambton Quay, Wellington	Green Buildings	New Zealand