

Section 1 - Background & Purpose

1.1 Background

Argosy Property Limited (“Argosy” or the “Company”) is one of New Zealand’s leading listed property companies. Argosy and its subsidiaries (the “Argosy Group”) own a diversified portfolio of industrial, office and retail properties predominantly in Auckland and Wellington, with modest tenant-driven exposure to provincial New Zealand markets, a total value of more than NZ\$1.6 billion and 580,000 square metres of lettable space. Argosy is a top 50 entity by market capitalisation listed on the NZX and currently has more than 8,300 shareholders.

Argosy acknowledges that the Argosy Group’s activities can have an impact on the natural environment and is committed to managing and reducing the consequences of these activities. The Argosy Group strives to improve the environmental performance of its properties and Argosy Property Management Limited (part of the Argosy Group) is a member of the New Zealand Green Building Council (“NZGBC”), a not for profit industry organisation dedicated to accelerating the development and adoption of market based green building practises.

In seeking to achieve these ambitions, the Argosy Group has committed significant investment in highly rated, environmentally sustainable buildings. Argosy Group undertook a NZ\$40 million green upgrade of the commercial office building at 15 Stout Street in Wellington, which involved full replacement of services within an existing heritage building to provide a premium working environment focussing on energy efficiency and sustainability. This project was awarded a 5-Star Green Star Built rating from the NZGBC and was certified with a 5-Star NABERSNZ Energy Whole Building Rating. Other projects include the upgrade of 143 Lambton Quay in Wellington, which was awarded 5-Star Green Star Built rating and more recently the redevelopment of 82 Wyndham Street in Auckland, targeting a 5-Star Green Star Built rating.

The Argosy Group’s ambition is to deliver work environments that promote productivity and minimise the impact on the environment whilst providing better ways for people to work together. In this regard, as the Argosy Group upgrades its buildings to meet tenant requirements, it reviews opportunities to deliver such environments across its portfolio of office, industrial or retail buildings.

Likewise, the Company is eager to play a role in developing the green finance market in New Zealand and therefore intends to access the capital markets by issuing green bonds (“Argosy Green Bonds”). The initial Argosy Green Bonds issuance in 2019 will be one of the first green bond issuances by a corporate in New Zealand.

1.2. Purpose

The purpose of this document is to provide guidance for issuances of Argosy Green Bonds and to set out the mechanisms in place to support and maintain these issuances over time (the “Framework”).

The Framework is aligned to the Green Bond Principles (“GBP”)¹ which are voluntary guidelines that are internationally accepted as the basis for capital markets issuances of green bonds globally. The Framework therefore adopts the four key pillars of the GBP as follows:

1. Use of Proceeds;
2. Process for Project Evaluation and Selection;
3. Management of Proceeds; and
4. Reporting.

Section 2 - Framework

2.1 Use of Proceeds

The critical factor in green bond issuances is the use of proceeds. The proceeds of Argosy Green Bonds are intended to be used to:

1. finance office, industrial or retail buildings, including upgrades, owned or undertaken by members of the Argosy Group that meet the Eligibility Criteria set out in section 2.2.1 below and therefore promote the transition to a sustainable future (“Green Assets”); or
2. refinance corporate debt that supports Green Assets.

In the case of the initial Argosy Green Bond issuance, the proceeds are intended to be used to refinance existing bank debt that supports Green Assets.

1. As at the date of this document, <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Green-Bond-Principles---June-2018-140618-WEB.pdf>

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2.2 Process for Project Evaluation and Selection

2.2.1 Eligibility Criteria

In order to ensure a robust process for determining Green Assets, Argosy has determined a minimum Green Star or NABERSNZ rating threshold.

Existing and/or planned office, industrial and retail buildings, including upgrades will be eligible to be categorised and labelled as a Green Asset, and proceeds from the Argosy Green Bonds can be internally allocated to them, if they meet the following criteria:

1. Certified as obtaining, or targeting, a minimum 4-Star NZGBC Green Star Built rating; or
2. Certified as obtaining, or targeting, a minimum 4-Star NABERSNZ Energy Base Building Rating or Energy Whole Building Rating.

If a Green Asset no longer meets the Eligibility Criteria set out in this Framework, then it will no longer be categorised as a Green Asset and the total value of Green Assets will reduce by the value of this asset.

2.2.2 Governance

Argosy Green Bonds will be managed in accordance with the Company's established governance arrangements with respect to treasury activities.

In addition, Argosy has established a Green Bond Working Group ("GBWG") made up of senior Financial, Sustainability and Investor Relations personnel. The GBWG will meet semi-annually, prior to half year and full year reporting, to review relevant elements of the Framework including, but not limited to:

- Reviewing and confirming details of the Green Assets as set out in the updated draft Use of Proceeds Report (refer section 2.3.2 below for details on this process) for completeness, suitability and valuation;
- Determining eligibility of potential new assets as Green Assets;
- Reviewing the schedule of Argosy Green Bonds outstanding; and
- Reviewing compliance with the Framework against the GBP.

The GBWG will determine eligibility of potential new assets as Green Assets by reviewing them against the Eligibility Criteria. If the GBWG determine that a potential asset qualifies as a Green Asset, then this will be categorised as a Green Asset and included as such in the next "Use of Proceeds Report" (described further in Section 2.3.2 below).

These Green Assets would then be assured at the time of ongoing annual assurance as described in Section 2.5 below.

Argosy may, on the GBWG's recommendation, make changes to the Framework from time to time including, for example, to ensure the Framework complies with the GBP (if the GBP are amended).

2.3 Management of Proceeds

2.3.1 Internal Allocation of Proceeds

The proceeds from Argosy Green Bonds will be tracked through existing internal information systems. Specifically, proceeds will be internally allocated to Green Assets as set out in section 2.1 above, either upon issuance or within 12 months from each issuance.

This internal allocation may change from time to time, meaning that the proceeds may be internally allocated to other Green Assets.

In any period during which any proceeds are unallocated to Green Assets, the unallocated proceeds must be temporarily invested in assets such as cash or cash equivalents.

2.3.2 Ongoing Monitoring

The GBWG will monitor the use of proceeds on an ongoing basis with data monitored to include Asset/Project location, current NABERSNZ and/or Green Star rating and Asset Value. The GBWG will prepare the initial Use of Proceeds Report based on asset values as at 31 March 2018.

In advance of each GBWG meeting, the Argosy finance team will review the prior period's Use of Proceeds Report and update this to incorporate any changes to Green Assets over that period. The updated draft Use of Proceeds Report will be reviewed and confirmed by the GBWG at the semi-annual meeting described in section 2.2.2 above. The confirmed Use of Proceeds Report will then be made publicly available to investors as described in section 2.4 below.

Data reported in the Use of Proceeds Report will include Asset/Project location, current NABERSNZ and/or Green Star rating and Asset Value. An example Use of Proceeds Report is set out in Section 3 of this Framework.

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2.4 Reporting

Argosy recognises the importance investors place on transparency and disclosure relating to Green Bonds and therefore intends to make information available as follows: a director.

Disclosure Item	Timing	Location
Green Bond Framework	Upon inaugural Green Bond issuance (as updated from time to time)	https://www.argosy.co.nz/investor-centre/greenbondframework
Assurance Statements	Upon completion of each assurance process to extent allowed by assurer	https://www.argosy.co.nz/investor-centre/greenbondframework
Use of Proceeds Report	At least semi-annually in line with half and full year results reporting	https://www.argosy.co.nz/investor-centre/greenbondframework

2.5 External review

The Company will seek pre-issuance assurance from an appropriate independent party, to confirm the validity of the Framework and the inaugural issuance of Argosy Green Bonds.

For each subsequent Argosy Green Bond issuance under this Framework, Argosy will engage an independent party to confirm the new issuance against the Framework. This may take the form of a second party opinion, an assurance statement certification or Ratings Agency evaluation, or a combination of these.

During the life of each issuance, Argosy will seek an annual independent assurance to confirm that the Green Assets continue to meet the GBP and the requirements as set out in this Framework.

Section 3: Example Use of Proceeds Report

Note: This Example Use of Proceeds Report as been prepared on the basis of 31 March 2018 asset values.

Value of Existing Green Assets

Address	Use	Current NABERSNZ Rating	Green Star Rating	Asset Value (NZD m)
143 Lambton Quay	Office	4 Stars Energy Whole Building	5 Star Office Built	\$27.8
15-21 Stout Street	Office	5 Stars Energy Whole Building	5 Star Office Built	\$107.0
82 Wyndham Street	Office	Targeting 5 Stars (in progress)	5 Star Office Built	\$42.3
Total Existing Green Asset Value				\$177.1

Value of Existing Green Assets

Address	Use	Current NABERSNZ Rating	Green Star Rating	Asset Value (NZD m)
Highgate Parkway	Industrial	N/A	4 Star Industrial Built (In Progress)	\$28.2
Total Planned Green Asset Value				\$28.2

Value of Green Bonds on Issuance:

This section to be updated by Argosy in each reporting period post-issuance, reporting to be in line with section 2.3 of the Framework

Date of Issuance	Bond Face Value (NZD m)	Maturity Date
[]	[]	[]

Total Argosy Green Bonds Outstanding \$[] million

The Company confirms the value of the Green Assets internally allocated to the Argosy Green Bonds is greater than the face value of the Argosy Green Bonds outstanding and there are no unallocated proceeds.