



YOUR
INDUSTIAL
PROPERTY
EXPERTS

PROPERTY FOR INDUSTRY LIMITED

Green
Finance
Framework
July 2023

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A high-angle photograph of a worker in an orange safety vest and hard hat leaning over a large array of solar panels. The panels are arranged in a grid pattern, and the worker's shadow is cast long across them. The background is a blue sky with some clouds.

GREEN FINANCE FRAMEWORK

CONTENTS

SECTION		
	01. INTRODUCTION	3
	02. ABOUT THIS FRAMEWORK	5
	03. SUSTAINABILITY GOVERNANCE	5
	04. GREEN LOANS AND GREEN BONDS	6
	05. CONTINUOUS IMPROVEMENT	11
	06. IMPORTANT NOTICE	12
	07. FURTHER INFORMATION	12



01. INTRODUCTION

ABOUT PROPERTY FOR INDUSTRY

Property For Industry Limited (PFI or we) is an NZX listed property vehicle focused on the industrial sector.

We first listed in 1994. More than twenty years on, we have over 5,000 shareholders and a portfolio of almost 100 properties valued at over \$2.0 billion dollars.

PFI was created on the belief that investing in quality industrial property in prime locations has the potential to deliver attractive shareholder returns. But we knew that consistently achieving such returns would require focus, discipline and a conservative approach to risk. This has been the secret to success. Our commitment to industrial property has not changed. We believe a portfolio that performs is more important than growth.

In terms of our impact on people and planet, we understand that meeting our ambitions requires long-term commitment, long-term thinking, and no shortage of hard work. We believe PFI's approach to sustainability should enable us to mitigate risks and capitalise on opportunities for long-term value creation.

The purpose of this Green Finance Framework (**Framework**) is to document the approach for managing Green Loans and/or Green Bonds by PFI. The entities that may enter into Green Loans and/or Green Bonds under this Framework are Property For Industry Limited and its wholly owned subsidiary, P.F.I Property No.1 Limited.

PFI'S APPROACH TO SUSTAINABILITY

Sustainability is increasingly embedded in what we do.

At PFI, we understand that sustainability requires us to be responsive to our changing external environment, constantly challenge ourselves, and be open to trying new approaches.

In 2019, we created an Environmental, Social and Governance (**ESG**) framework for PFI. We also measured our greenhouse gas (**GHG**) emissions for the first time, setting a baseline year from which to evaluate progress. 2020 saw us enhance our health and safety systems, expand the scope of our GHG emissions measurement, and formally assess our exposure to climate-related risks and opportunities.

Since then, PFI's ESG achievements have included:

- Phasing out especially harmful R22 refrigerant gases from heating, ventilation and air-conditioning (HVAC) systems within our operational control, contributing to a reduction in our Scope 1 GHG emissions as discussed in our 2022 Sustainability Report (available on our website and as part of the 2022 Annual Report); and
- Producing three voluntary climate-related disclosure reports (**TCFD Reports**) which are prepared in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (available on our website and as part of the 2022 Annual Report).

In 2022, we reset our Sustainability Strategy with the following strategic objectives:

1. Create a future-proofed and resilient portfolio through sustainable refurbishments, developments, acquisitions and divestments;
2. Maximise the useful lifespan of buildings to minimise waste by transforming our core portfolio;
3. Become a trusted partner for tenants when it comes to sustainability and reducing GHG emissions;
4. Collaborate with supply chain partners to minimise waste, use lower-impact materials, and promote positive social impacts;
5. Maintain strong employee engagement and health and safety performance; and
6. Maintain high standards of financial and governance performance.

The Sustainability Strategy is centred on the following material topics and aspirations:

MATERIAL TOPIC	ASPIRATION
Greenhouse Gas Emissions	The embodied and operational GHG emissions associated with PFI's buildings are minimised.
Resources and Waste	The impacts from the materials that PFI uses and the waste PFI produces during developments and refurbishments are minimised.
Disaster and Climate Resilience	PFI's buildings are resilient and we are well placed to respond to disasters.
People and Wellbeing	Our people are safe and engaged, and we promote positive social impacts through our operations.
Economic Value	The value of PFI grows to create economic value for investors, tenants, our people and others that we work with.

We have commenced a range of projects to operationalise this strategy, as discussed further in our 2022 Sustainability Report, with targets including:

1. Significant new buildings to target minimum New Zealand Green Building Council (**NZGBC**) 5 Green Star Design and As Built certification.
2. Implement power metering and monitoring for 50% of properties by the end of 2025.
3. Install solar systems at five buildings by the end of 2025.
4. Minimise and offset residual Scope 1 and 2 GHG emissions.

02. ABOUT THIS FRAMEWORK

PFI has developed this Framework to support progressive action towards our strategic objectives (outlined above) and our strategic target to develop significant new buildings targeting minimum NZGBC 5 Green Star Design and As Built certification, as discussed further in our 2022 Sustainability Report.

This Framework outlines the process by which PFI or a subsidiary intends to issue or enter into Green Loans and/or Green Bonds (**Green Debt**), where an amount equal to the net proceeds of the Green Debt will be notionally allocated to finance and/or refinance Eligible Assets (as defined below).

This Framework is consistent with the voluntary sustainable finance principles and guidelines (together the **Market Standards**) outlined below:

- **Green Bonds** will be issued in accordance with the Green Bond Principles (**GBP**)¹ issued by the International Capital Market Association; and
- **Green Loans** will be entered into in accordance with the Green Loan Principles (**GLP**)² issued by the Asia-Pacific Loan Market Association, the Loan Market Association and the Loan Syndicates and Trading Association.

While PFI has no immediate plans to execute a Sustainability-Linked Loan or issue a Sustainability-Linked Bond, PFI may consider these sustainable finance instruments in the future and would update the Framework accordingly.

03. SUSTAINABILITY GOVERNANCE

PFI's Board is responsible for oversight of PFI's Sustainability Strategy and performance. PFI's Board receives quarterly reporting from Management on strategy, sustainability, operations and risk management. This reporting includes progress against agreed initiatives within PFI's Sustainability Strategy (which are set with oversight from the Board).

In relation to this Framework, the Chief Finance and Operating Officer will be responsible for managing the issuance of, or entry into, any Green Debt instruments and ensuring ongoing compliance with this Framework. This includes having oversight of PFI's reporting obligations under this Framework, including the notional allocation to Eligible Assets (as defined below) under this Framework and reporting to the Board on a quarterly basis.

1. As at the date of this Framework, these are the [ICMA Green Bond Principles 2021 \(with June 2022 Appendix\)](#) (**GBP**)

2. As at the date of this Framework, these are the [APLMA Green Loan Principles 2023](#) (**GLP**)

04. GREEN LOANS AND GREEN BONDS

4.1 USE OF PROCEEDS

PFI intends to notionally allocate an amount equal to the net proceeds from Green Debt to finance and/or refinance, in whole or in part, new or existing buildings, buildings under development or building upgrade projects that conform with the eligibility criteria set out below (**Eligible Assets**). A reference in this Framework to proceeds being “allocated” means a notional allocation in PFI’s systems.

Eligible Assets may include projects delivered, or in the process of being delivered, which PFI (or a subsidiary):

- Owns outright;
- Partially owns (for example, through a joint venture); or
- Has an interest in because it holds a direct or indirect equity investment in the owner of the relevant assets.

Allocation will be on the basis that the value of Eligible Assets (determined in accordance with section 4.3 below) will be at least equal to the aggregate amount of all outstanding Green Debt (subject to temporary management of unallocated proceeds). In the case of partial ownership and direct or indirect equity interests, the value attributed to an Eligible Asset for this purpose will be based on PFI’s proportionate ownership share of the Eligible Asset or its owner.³

Eligible Assets may include projects delivered, or in the process of being delivered, and may include the funding of capex, opex and other related expenditure.



3. In the case of an equity investment, if the relevant owner of those Eligible Assets issues its own Green Bonds or Green Loans to finance or refinance such Eligible Assets, we will reduce the allocation of our Green Debt proceeds on a proportionate basis so that there is no double counting.

Eligible Asset Eligibility Criteria

The criteria for categorising Eligible Assets (**Eligibility Criteria**) is outlined below with reference to the GBP and GLP.

ELIGIBLE CATEGORIES (GBP/GLPs)	ELIGIBILITY CRITERIA
Green Buildings	<p>Investments in new or existing buildings, buildings under development or building upgrade projects that achieve at least one of the following national green building ratings:</p> <ul style="list-style-type: none"> ■ Certified as obtaining, or verified as targeting, a minimum NZGBC 5 Green Star Design and/or Built rating⁴. ■ Certified as obtaining, or verified as targeting one or more of the following operational performance ratings: <ul style="list-style-type: none"> – a minimum NZGBC 4 Green Star Performance rating; – a NZGBC Green Star Performance rating achieving a minimum score of 8/20 (base building) or 9/23 (whole building), within the GHG emissions credit section of the NZGBC Green Star Performance rating tool; or – any other equivalent regional, national, or internationally recognised rating or certification that becomes recognised as a credible standard of environmental performance for green buildings. <p>New buildings are required to obtain an operational performance rating (as referenced above) within three years of build completion or obtaining a Green Star 'Built' rating (subject to PFI's determination that there is the availability of an appropriate rating tool and/or benchmark for the building type), to continue qualifying as an Eligible Asset.⁵</p>

Buildings that are targeting (but are yet to receive) one or more of the above ratings may also qualify as an Eligible Asset if evidence can be provided that indicates the targeted rating will be achieved.

PFI supports the development of operational performance ratings for green buildings. In respect of its Eligible Assets, PFI will endeavour to provide operational energy data to the NZGBC, using the NZGBC Green Star Performance calculators (as applicable).

The list of Eligibility Criteria may be amended from time to time in accordance with the Market Standards.

4. As at the date of this Framework, the relevant Green Star Design and/or As Built rating tool is Version 1.0. The relevant version may be updated over time.

5. As at the date of this Framework, there is not currently an operational performance rating tool that PFI determines to be suitable / effective for its industrial and bespoke building types. Until PFI considers this position to have changed, PFI is not required to obtain an operational performance rating and the buildings will still qualify as Eligible Assets.

4.2 PROJECT EVALUATION AND SELECTION

PFI has processes in place to ensure that Eligible Assets are identified and evaluated to ensure compliance with this Framework.

In the first instance, PFI will utilise the NZGBC green building rating tools and systems to assess the sustainability attributes of new and existing buildings, in alignment with the Eligibility Criteria in section 4.1. This includes Green Star, which is an internationally recognised rating system for the sustainable design, construction and operation of buildings and fitouts. This can be used to assess sustainability attributes of both new developments and existing buildings. Green Star provides a trusted mark of independent verification. The NZGBC maintains and discloses a database of certified buildings on its website⁶.

PFI will also consider the following factors in the selection of Eligible Assets:

- Alignment to PFI's Sustainability Strategy outlined in Section 1;
- Conformance with the Market Standards;
- Assessment of any potential negative social and/or environmental impacts from the Eligible Asset and mitigants to these impacts; and
- PFI's own professional judgement, discretion and sustainability knowledge.

Once a building has been assessed as meeting the relevant Eligibility Criteria set out in this Framework, it can be included as an Eligible Asset in the Register (as defined below). If an Eligible Asset is sold or no longer meets the Eligibility Criteria set out in this Framework, then it will be declassified, and the total value of the Eligible Assets will be reduced accordingly.

4.3 MANAGEMENT OF PROCEEDS

PFI will maintain a register of Eligible Assets that outlines (among other things) how an amount equal to the net Green Debt proceeds have been notionally allocated to a pool of Eligible Assets. Detail on each Eligible Asset will include the current or targeted green building rating, other information to support Eligible Asset classification and the applicable Eligible Asset value (**Register**).

Each Eligible Asset may be valued at its latest independent market valuation, book value or project cost (including land in each valuation method, where applicable). PFI will update this Register annually and in alignment with its annual financial reporting. Where an Eligible Asset is not yet complete, the Register may also disclose the total expected project cost on completion for transparency.

PFI is a long-term property investor, and our investment strategy may involve the acquisition of suitable land for new development (or existing properties for re-development) many years in advance of a green building development commencing. PFI will endeavour to prioritise the financing of new Eligible Assets when notionally allocating an amount equal to the net proceeds from the Green Debt. In the case of refinancing, a green building may be included as an Eligible Asset where the development spend (i.e. construction, refurbishment or acquisition) has been incurred within three years of the Eligible Asset first being recorded in PFI's Register. No look back period will apply to the land acquisition costs for these Eligible Assets.

6. NZGBC list of Green Star certified projects is available on NZGBC's [website](#)

PFI will endeavour to notionally allocate an amount equal to the net Green Debt proceeds to Eligible Assets within 24 months of issuance. Pending allocation, any unallocated proceeds shall be temporarily:

- Held in cash or cash equivalent instruments with a Treasury function; or
- Applied to reduce indebtedness of a short term or revolving nature before being redrawn for notional allocation to Eligible Assets.

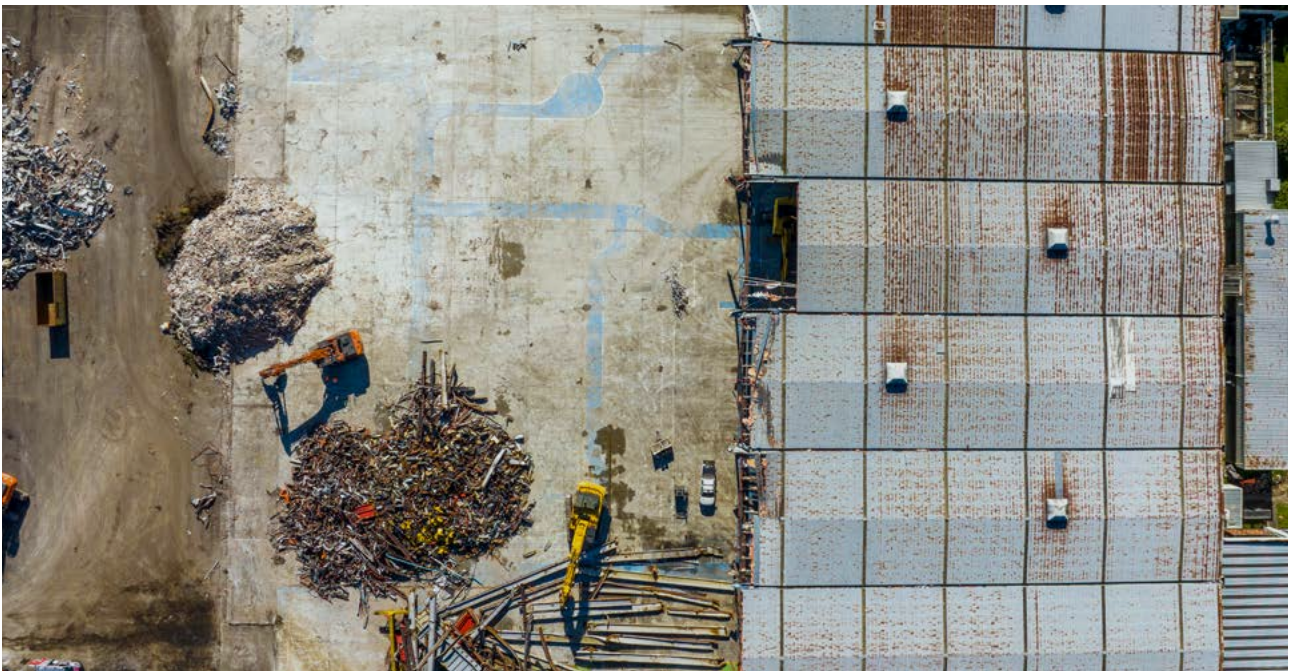
For revolving credit facilities, the drawn balance will be less than, or equal to, the current value of Eligible Assets throughout the life of the revolving credit facility.

Where there are multiple Green Debt instruments, the total value of Eligible Assets will be at least equal to the aggregate amount of all outstanding Green Debt (subject to temporary management of unallocated proceeds).

PFI will service its debt obligations under Green Debt out of its general cashflows and not specifically from revenues generated by Eligible Assets alone.

4.4 DISCLOSURE AND REPORTING

PFI recognises the importance investors place on transparency and disclosure and, in the case of Green Bonds, will make the following information available on its website. In the case of Green Loans, the information will be provided directly to lenders at a minimum.



ITEM	FREQUENCY
Green Finance Framework	Published at (or prior to) the first issuance of a Green Debt instrument (and when this Framework is amended).
Pre-Issuance External Review	Sought prior to the first issuance of a Green Debt instrument under this Framework.
Annual Update Report	Provided annually for all outstanding Green Debt instruments.
Post-Issuance External Review	Sought at least once post-issuance, upon full allocation of the first Green Debt instrument (or at such other frequency as determined by PFI in accordance with the Market Standards).

PFI intends to disclose Annual Update Reports in line with the Market Standards that include the following information:

- **Allocation Reporting:** A list and description of the Eligible Assets (location, building type, value) and the amount of net proceeds notionally allocated towards such Eligible Assets. This includes confirmation of the aggregate amount of Green Loans and Green Bonds, along with disclosure of any unallocated proceeds.
- **Eligibility Reporting:** Confirmation that the Eligible Assets meet the relevant Eligibility Criteria requirements included in this Framework, including any current/targeted green building ratings.
- **Impact Reporting:** PFI will endeavour to provide qualitative and/or quantitative reporting of the environmental impacts of the Eligible Assets, in accordance with the impact reporting guidelines detailed in the Market Standards. Examples of impact indicators that may be reported include:
 - The green building ratings achieved by each of the Eligible Assets;
 - Annual GHG emissions reduced or avoided;
 - Additional new and total installed capacity of solar electricity generation and (subject to availability of data) may include annual generation of electricity from solar installations;
 - Percentage, or tonnes, of demolition and construction waste minimised, reduced or recycled; or
 - Progress with energy efficiency initiatives and associated power savings.

4.5 EXTERNAL REVIEW

PFI has obtained external review in the form of a second party opinion from DNV that the Framework and Eligible Assets currently listed in the Register (dated May 2023) align to the relevant Market Standards.

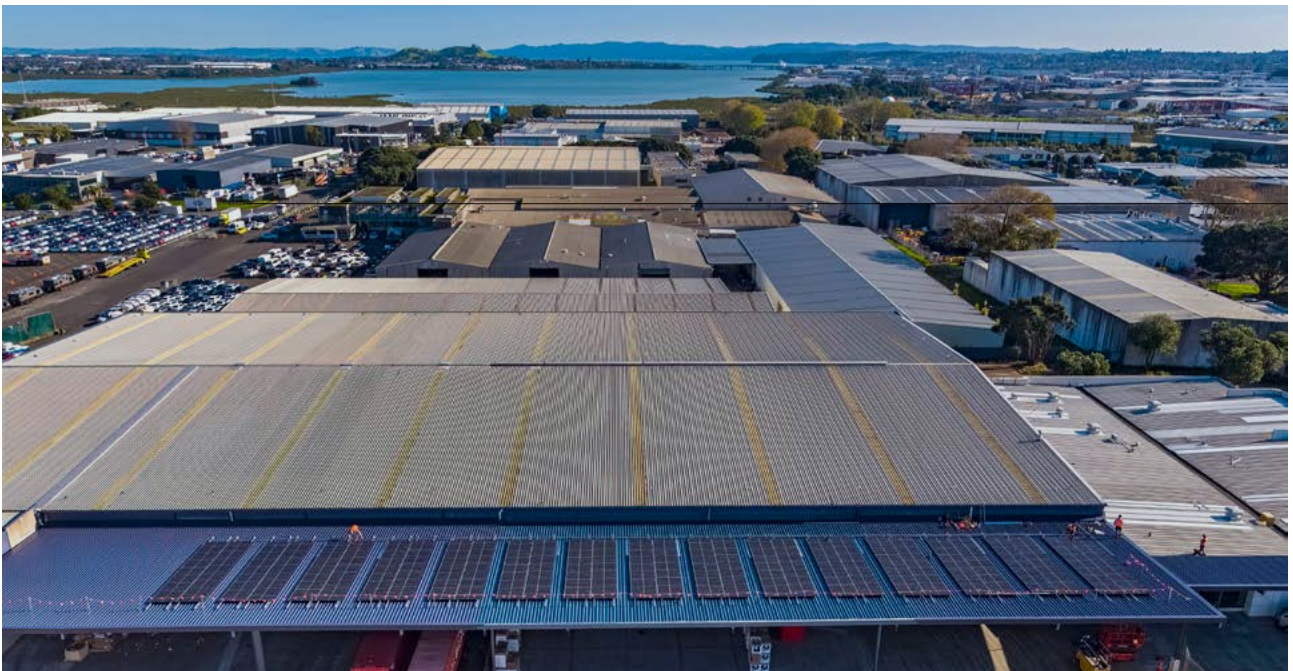
If the Framework is materially amended, PFI may obtain an external review report from an appropriately qualified verifier that the Framework and Eligible Assets align to the Market Standards (at PFI's discretion).

At least once post issuance, upon full allocation of the first Green Debt issuance, PFI will obtain an external review report upon the Annual Update Report and the management of proceeds aligning to this Framework and the Market Standards. Further post issuance external review reports may be obtained at a frequency determined by PFI in accordance with the Market Standards.

05. CONTINUOUS IMPROVEMENT

PFI will monitor how the Market Standards and global sustainable finance markets continue to develop and intends to adapt its approach to sustainable finance as relevant. As a consequence, PFI may update this Framework from time to time in its discretion, including to ensure it remains in line with market practice and the Market Standards.

In parallel, and as part of our ongoing stakeholder engagement, we welcome feedback and input from stakeholders on this Framework to support our commitment to continuously adapt our approach to sustainable finance as the markets and our own Sustainability Strategy. Contact information is outlined below.



06. IMPORTANT NOTICE

PFI intends to manage Green Debt in accordance with this Framework. However, this Framework does not form part of the contractual terms of any Green Debt instrument. If PFI fails to comply with this Framework, the Market Standards, PFI's Sustainability Strategy or sustainability objectives, or the Green Debt instruments cease to have a 'green' status, then:

- This does not constitute an event of default, event of review, or any other breach in relation to any Green Debt instruments; and
- There is no requirement for PFI to repay the Green Debt instruments as a result of this non-compliance and neither investors nor PFI have any right to early repayment as a result of this non-compliance.

This means there is no legal obligation on PFI to allocate the proceeds in the manner or by the time described in the Framework or to comply with the Framework or the Market Standards on an ongoing basis. As a result, Green Debt instruments may cease to be labelled as 'green'. PFI will disclose if a Green Debt instrument ceases to be labelled as 'green' in its Annual Update Report.

07. FURTHER INFORMATION

More information on PFI's approach to sustainability can be found on our [website](#) or in our [annual report](#).

Contacts: Registered office: Level 4, Hayman Kronfeld Building,
15 Galway Street, Auckland, 1010

Telephone: +64 (0)9 303 9450
Email: info@propertyforindustry.co.nz



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