

Investec Property Fund Limited – Green Bond Information Memorandum

January 2023

Proposed Green Senior Unsecured Bond (IPFG02) Information Memorandum

1. Introduction

Investec Property Fund (“the Fund” OR “IPF”) is a South African Real Estate Investment Trust (REIT) that is listed on the Johannesburg Stock Exchange (JSE). The Fund pursues a bi-regional investment strategy, focused on building scale and relevance in its core geographies of South Africa and Western Europe. The Fund's investment portfolio is currently comprised of R22.5 billion of direct and indirect real estate investments located across both these regions.

2. The Fund’s sustainability strategy and objectives

The Fund recognizes the complexity and urgency of climate change and are committed to the transition to a cleaner low-carbon world. The Fund is committed to creating a sustainable future by embracing its responsibility to manage its direct environmental impact and to creating awareness that encourages positive sustainable behaviour. ESG is a core strategic priority for the Fund, with an objective of creating financial and social value that positively impact our planet, acts as an enabler of ESG within our tenants’ businesses and improves the lives of the communities in which we operate.

The Fund’s sustainability strategy targets several environmental and socioeconomic issues through its core business activities. The Fund’s risk management framework has integrated ESG risks across all elements, ensuring these are considered as part of the day-to-day business and operations of the Fund.

3. Aligning with global goals

IPF has aligned with the United Nation’s Sustainable Development Goals (SDGs) and has prioritised 7 SDGs to contribute to the U.N.'s 2030 targets.

The priority SDGs, listed below, are where we believe we can make the most significant impact through our daily activities. The goals identified will serve as a guide in prioritising our resources and commitments to maximise our impact in creating sustainable value for all our stakeholders.

- SDG 6: Clean water and sanitation
 - By striving to have all buildings be water efficient where possible, especially in high-risk water stress areas
 - By responsibly sourcing water through investment in boreholes, re-use initiatives, water back-up, and water storage facilities
 - By committing to reduce water consumption through working towards eliminating water inefficiencies and water losses and striving for the best practices in water management.
 - By adhering to policies and legislation guiding water use and management in jurisdictions in which the Fund operates.
 - By encouraging behaviour that ensures conscious water usage through training and

education amongst our stakeholders.

- SDG 7: Affordable and clean energy
 - By contributing towards a lower carbon future through investment in renewable energy, where feasible, to reduce the Fund's reliance on South Africa's coal - intensive grid and providing more cost-effective and reliable energy solutions to our clients
 - Commitment to deeper understanding and feasibility into alternative renewable solutions and technologies which the Fund can utilize to reduce operational costs as well as the cost of occupancy for clients
 - By aiming to have all our buildings be energy efficient through energy efficiency interventions, technologies, and energy management assessments.
 - By encouraging our stakeholders to pursue behaviour that promotes responsible energy usage
- SDG 8: Decent work and economic growth:
 - By ensuring our governance policies are aligned to King IV, the JSE listing requirements and good corporate practice
 - By committing to provide staff programmes and training
 - By our commitment to engage with our communities through ESG-linked initiatives
- SDG 9: Industry innovation and infrastructure
 - By committing to creating energy-efficient operations, healthy and green buildings
 - And with a commitment to understanding and looking to implement 'SMART' buildings
 - By pursuing green building certifications where possible and developing pathways to have our buildings be as energy and water efficient as possible.
- SDG 11: Sustainable cities and communities
 - By committing to minimise and manage our environmental impact across the portfolio, including greenhouse gas emissions, waste, and air quality by setting targets, measuring, and holding ourselves accountable to these targets
 - By mitigating out impacts on biodiversity to promote environmental stewardship and compliance
- SDG 12 Responsible consumption and production
 - The Fund is looking to understand and reduce its overall waste impact through the monitoring of our waste footprint where possible.
 - By implementing environmentally sound management of waste within our value chain
- SDG 13 Climate action
 - With a commitment to measure and verify our carbon footprint annually and implement measures to reduce it year on year

4. Overview and Rationale for the Proposed Green bond

The fund intends to issue R550m of its R1,535m debt refinance as a senior unsecured green bond, listed on the Sustainability Segment of the JSE. The proposed bond has been structured to align with the

“Green Bond Principles – Voluntary Process Guidelines for Issuing Green Bonds – June 2021” published by International Capital Market Association (ICMA).

The bond aims to embed IPF’s sustainability value proposition into its mainstream financing activities. The Fund intends to use the green bond as a mechanism to support its sustainability plan and bring alignment of the Fund’s financing to its sustainability strategy and help contribute towards its priority SDG.

As a property fund, IPF acknowledges that the largest environmental impact of their business comes from their owned properties, in the form of carbon emissions, energy use, water and waste management. The Fund is cognisant of this, and has implemented a number of initiatives to address environmental risks within its portfolio. One of the mechanism used by IPF to address their environmental impact is through obtaining independent green building certification. IPF uses the Green Building Counsel of South Africa to rate its buildings. This rating system is an objective green certification tool for South Africa, with global recognition, and assesses a number of factors including energy, water, waste and carbon emissions.

Therefore, the proposed Green Bond would be notionally used to finance and/or refinance a portfolio of eligible Green Buildings, that reduce the impact on the environment, to help mitigate climate change-related risks in the portfolio and address climate change through transition to a low carbon and climate resilient economy, assessed by the properties’ Green Star Rating issued by the Green Building Council of South Africa. The eligible Green Buildings, for inclusion in the portfolio, are defined as Green Building Counsel of South Africa 4-Green Star Rating and above buildings. Buildings meeting this rating category have a positive impact on carbon emission, water, waste and energy and therefore classify as an eligible Green Assets in line with the ICMA Green Bond Principles (GBP). The bond would be the Fund’s first use-of-proceeds sustainable finance instrument. Furthermore, the Fund will report annually on the allocation of the proceeds and impact of the Eligible Green Projects. This Green Bond issuance would be congruent with SDG 7 & 13 of the Fund’s prioritised list of U.N. SDGs.

5. Alignment to guiding principles for issuing a green bond

The proposed Green Bond has been structured to align with the four core components of the International Capital Market Association Green Bond Principles (GBP), which is market best practice for structuring and issuing green bonds.

5.1. Use of proceeds

The Green Bond Proceeds will be notionally used to finance and/or refinance, on a portfolio basis, Eligible Green Projects, which may include Eligible Green Projects in respect of which costs have been incurred by the Fund within the 36 months preceding the Issue Date of the Bond.

Eligible Green Projects is defined as a portfolio of certified green commercial and/or residential buildings rated Green Star 4 category (per the Green Building Council of South Africa) or above, or a loan in respect thereof;

A Green Star Rating of 4 stars and above is considered industry best practice and is eligible as a 'Green Building' based on market standard. At current, IPF has Eligible Green Projects portfolio equating to R632m.

About the Green Star Rating:

The Green Star Rating (as per the Green Building Council of South Africa) is an internationally recognised and trusted mark of quality for the design, construction and operation of buildings, interior fitouts and precincts. The Green Star SA rating tools to provide an objective measurement for green buildings in South Africa and Africa. These tools recognise and reward environmental leadership in the property industry. The Green rating is based on 9 different categories, each with a range of credits that address environmental and sustainability aspects of designing, constructing and operating a building. Details on the categories for assessment, and how the green star rating works can be found using the following link: <https://gbcsa.org.za/certify/green-star-sa/>

5.2. Process for project evaluation and selection

The Fund will, in respect of each Eligible Green Project intended to be financed with the Green Bond Proceeds follow its internal capital project approval process existing as at the Issue Date. The Social and Ethics Committee ("the Committee") will ultimately approve, govern and maintain oversight of the Green Bond over the life of the issuance. In performing its role, the Committee may mandate relevant teams, including the Investec Property Fund Sustainability Team ("Sustainability Team"), and committees throughout the Business to:

- i. confirm that the selected investment and/or project constitutes an Eligible Green Project
- ii. confirm that the selected Eligible Green Project complies with these Green Bond Provisions and the relevant Use of Proceeds Standards;
- iii. confirm that the Eligible Green Projects costs has been incurred no later than 36 months preceding the Issue Date of the Bond
- iv. assess compliance with the Fund's social and environmental policy, where applicable (*find additional detail on this process below*);
- v. exercise professional discretion and judgement in granting any approval contemplated herein, and where appropriate, approve the allocation of the proceeds of this Tranche of Notes to fund or reimburse capital expenditure related to the approved Eligible Green Project;
- vi. Confirm the selected Eligible Green Projects has not been allocated to any other sustainable finance facility;
(*The above collectively forms, the 'Eligibility Criteria'*)

- vii. approve the allocation of the Green Bond proceeds to the Eligible Green Projects;
- viii. substitute Eligible Green Projects for Funded Green Projects which no longer qualify as Eligible Green Projects.

At the date of issuance, 100% of the bond proceeds will be notionally allocated to refinance an existing portfolio of Eligible Green Projects. Should at any point, any 'Eligible Green Project' no longer meet the criteria described above, then these assets will be substituted with other qualifying new and/or existing Eligible Green Projects on Investec Property Fund's balance sheet.

Should there ever be any unallocated Green Bond Proceeds, Investec Property Fund may, on a temporary basis, use the funds –

- I. in part or in full, to invest in instruments that are cash or cash equivalents, short-term deposits or other liquid marketable investments;
- II. on a temporary basis, against assets already on the Issuer's balance sheet that exclude Greenhouse Gas Intensive Projects (excluded projects include activities directly involved in fossil fuel, nuclear energy, potentially harmful resource extraction (such as rare-earth elements) and biomass production); and/or
- III. manage the proceeds in any other manner that would be deemed acceptable.

Environmental and Social risk process (related to point "Iv" above)

The Fund's risk management framework has integrated the ESG risks across all elements, ensuring these are considered as part of the day-to-day business and operations with our business. The Fund conducts risk assessments to evaluate climate-related risks, to allow for strategic planning over the short, medium, and long term. We have appropriate risk governance processes in place to determine the Fund's risk tolerance level and the integrity of its risk assessment procedures. IPF has performed climate-change risk assessment and various risks and impacts were identified as part of this process.

5.3. Management and tracking of the proceeds of issuance:

The Fund will strive to achieve a level of allocation to Eligible Green Projects that matches or exceeds the balance of net proceeds from the outstanding green.

The Sustainability Team, working together with the Finance team, will manage and record the allocation of the net proceeds derived from this Green Bond to Eligible Green Projects that meet the Eligibility Criteria described in section 5.2. via its financial system. For purposes of tracking, the net proceeds of the green bond will be tagged on Investec Property Fund's accounting system using the unique identifier "Green [bond code]".

To manage the tracking and reporting process, the fund will also develop an Eligible Green Project Register. This register will list all the funded green projects in relation to this Green Bond using the same unique identifier used on the accounting systems.

The register will contain the following information:

- The instrument information such as the principal amount, maturity date or the coupon
- Confirmation of alignment with the Eligibility Criteria described in section 5.2 above.
- The net proceeds allocated to each asset/project

such that the relevant data is captured on an ongoing basis and reportable as contemplated in the section below

5.4. Reporting:

Investec Property Fund recognises investor interest in transparency of reporting and disclosure, particularly as it relates to sustainable financing activities. The Fund commits to prepare and publish an annual allocation and impact report (“the Green Bond Report”) with respect to the green bonds until bond maturity.

The Green Bond Report will include -

(Allocation)

- the full names and description of each Funded Green Project;
- a record of the amount or amounts invested and/or allocated in respect of each Funded Green Project;
- the proportion of new financing and refinancing in relation to the allocation of the Green Proceeds to the Funded Green Projects;
- a statement of the balance of the Green Proceeds remaining unallocated (if any), and where applicable a record of how such unallocated amounts have been temporarily allocated (as contemplated in the section of these Green Bond Provisions entitled "Use of Proceeds");

(Impact)

For purposes of impact reporting, Investec Property Fund will consider at least two of the following impact reporting metrics, to the extent feasible and practical:

- Type of Certification including level by Property (this will include the following information: property description, value, certification scheme and rating outcome Green Star Certification of each Funded Green Project);
- a statement of the total gross leasable area (in m²) of Funded Green Eligible Project;
- Estimated annual GHG emissions reduced or avoided (tCO₂e)
- Energy intensity for buildings (kWh/m² per annum)

6. External review

The fund, in line with the requirements of the JSE, obtain independent external review in the form of a SPO from a suitable provider to support the listing of the bond. The SPO, together with the supporting Investec Property Fund Limited – Green Bond Information Memorandum will be

published on the Fund's website www.investecpropertyfund.com. This will be provided pre-issuance.

Furthermore, where applicable, post-issuance independent external verification will be obtained from a suitable provider