

Second-Party Opinion

Macquarie University Sustainability Financing Framework

Evaluation Summary

Sustainalytics is of the opinion that the Macquarie University Sustainability Financing Framework is credible, impactful, and aligns with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines 2018 as well as the Green Loan Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The seven eligible categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers the range of eligible projects to have positive environmental and social impacts and to advance the UN Sustainable Development Goals.



PROJECT EVALUATION / SELECTION Eligible projects are reviewed and selected by a dedicated Sustainability Financing Working Group, consisting of relevant teams, and approved by the University Council. The University has sufficient oversight in ensuring projects selected meet the Use of Proceeds criteria, as aligned with current market practices.



MANAGEMENT OF PROCEEDS Eligible projects are tracked in a Sustainability Financing Projects Register which includes relevant information on each transaction. All transactions will be earmarked for allocation against the eligible projects and any unallocated proceeds will be invested according to the University's Investment Policy. The University's disclosure and processes with respect to management of proceeds is in line with market practices.



REPORTING Macquarie University commits to disclosing a comprehensive allocation and impact report on the company's website annually comprising relevant transaction information along with environmental and social impact metrics. Sustainalytics views the University's commitment to engage with an External Review Provider for its Annual Report as aligned with current market best practices.

Evaluation date	August 9, 2018
Issuer Location	Sydney, Australia

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Introduction

Macquarie University ("MQU" or the "University") offers a wide range of undergraduate, postgraduate and higher degree research degrees at its campus located in the Macquarie Innovation Park District (MIPD) in Sydney, Australia. Over 40,000 students and 3,000 staff from 120 countries study and work in the campus.

The Macquarie University Sustainability Financing Framework (the "framework") has been developed to demonstrate how MQU intends to enter into Sustainability Financing Transactions ("SFT") with proceeds earmarked to finance, or refinance, projects and expenditures that will deliver positive environmental and social outcomes and which support MQU's strategy and vision. Financing may include instruments such as bonds and loans that contribute towards sustainable development by earmarking the proceeds to projects/expenditure that fall within the eligible categories defined in this framework. The framework defines eligibility criteria in the following areas:

Green Eligibility Categories:

1. Green buildings
2. Alternative energy and energy efficiency
3. Pollution prevention and control
4. Sustainable water and wastewater management
5. Environmentally sustainable management of living natural resources and land use

Social Eligibility Categories:

1. Access to essential services
2. Socioeconomic advancement and empowerment

MQU engaged Sustainalytics to review the Macquarie University Sustainability Financing Framework and provide a second-party opinion on the alignment of the sustainability financing with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines 2018 (the "GBP", "SBP" and "SBG"),¹ as administered by the International Capital Market Association (the "ICMA"),² Green Loan Principles ("GLP") as administered by LMP/APLMA³, and the framework's environmental and social credentials. This framework has been published in a separate document.⁴

As part of this engagement, Sustainalytics held conversations with various members of Macquarie University's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of MQU's sustainability financing. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Macquarie University Sustainability Financing Framework and should be read in conjunction with that framework.

¹ Sustainability Bonds are aligned with the four core components of both the Green Bond Principles and Social Bond Principles, with the former being especially relevant to underlying Green Projects and the latter to underlying Social Projects.

² ICMA Sustainability Bond Guidelines 2018 <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

³ http://www.lma.eu.com/application/files/8415/2162/5092/LMA_Green_Loan_Principles_Bookletpdf.pdf

⁴ <https://staff.mq.edu.au/support/financial-and-legal>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Macquarie University Sustainability Financing Framework

Summary

Sustainalytics is of the opinion that the Macquarie University Sustainability Financing Framework is credible, impactful, and aligns with the four core components of the GBP, SBP and SBG 2018 and GLP. Sustainalytics highlights the following elements of the University's sustainability financing framework:

- Use of Proceeds:
 - The seven use of proceeds categories are recognized as impactful by the GBP, SBP, SBG 2018 and GLP.
 - Eligible environmental expenditures related to green buildings, alternative energy and energy efficiency, pollution prevention and control, water and wastewater management, and management of living natural resources and land use will contribute to significantly reducing the University's environmental footprint.
 - MQU's green buildings follow Ecologically Sustainable Design Principles and will be expected to receive a minimum of NABERS 4.5 Star or GBCA's Green Star 5 Star,⁵ when feasible. Sustainalytics acknowledges certain limitations in MQU's mixed-use buildings receiving third-party certification, such as the Central Courtyard Precinct project; however, Sustainalytics has a positive view on MQU's Ecologically Sustainable Design Principles which will lead to the minimum performance equivalent to that of a 5 Star rated project under the Green Star Design & As Built v1.1 tool. Sustainalytics also acknowledges that building certifications serve as evidence to demonstrate the ongoing performance of buildings in the market and, as such, encourages MQU to pursue best practice certification for future building projects, when feasible. For further details, please see Section 3: Impact of Use of Proceeds.
 - Eligible social expenditures related to access to essential services and socioeconomic advancement and empowerment, specifically for programs focused on disability sensitive learning, will lead to reduced inequalities and enable access to higher education in Australia.
- Project Selection Process:
 - Eligible projects are reviewed and selected by a dedicated Sustainability Financing Working Group consisting of representatives from the Finance, Sustainability and Property Teams. Shortlisted projects will be presented to the Finance and Facilities Committee and approved by the University Council.
- Management of Proceeds:
 - MQU will establish a Sustainability Financing Projects Register to record the ongoing allocation of net proceeds for each SFT. All SFT funds will be earmarked within the register for allocation against the eligible projects. The University's processes with respect to management of proceeds is robust and in line with market practices.
- Reporting:
 - MQU commits to publish an annual Macquarie University Sustainable Financing Report ('Annual Report') and an annual Assurance/Compliance Report prepared by an appropriate External Review Provider. The (i) allocation reporting will comprise relevant SFT information including a list of projects financed, the description of major projects financed and corresponding allocated amount, and the remaining balance of unallocated proceeds. With regards to the (ii) impact reporting, MQU commits to disclose a comprehensive set of environmental and social impact metrics. Sustainalytics highlights MQU's commitment to engage with an External Review Provider for its annual review which will be publicly available on its website. Though the University's reporting and transparency commitments are aligned with current market best practices, Sustainalytics further encourages MQU to transparently report on the portion of financed and refinanced projects and indicate the completion year of its projects.

⁵ The Green Buildings Council of Australia has confirmed to Sustainalytics that Green Star 5 or Green Star 6 ratings would be the equivalent of LEED Gold or Platinum certification level.

Alignment with GBP, SBP, SBG 2018 and GLP

Sustainalytics has determined that the Macquarie University Sustainability Financing Framework aligns with the four core components of the GBP, SBP, SBG 2018 and GLP. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of Macquarie University

Contribution of framework to Macquarie University's strategy

Sustainalytics has a positive view of MQU's sustainability financing framework and its alignment with the University's Strategic Priorities and its Sustainability Strategy: 2015-2019.

The framework reflects MQU's Strategic Priorities,⁶ which include the following commitments:

- To adhere firmly to our commitment to the principles of sustainability in all we do;
- To invest only in systems and processes which are both significantly effective and efficient;
- Inclusiveness through targeted and sustainable collaborative programs with key external partners to recruit and support Indigenous and students of low socio-economic status;
- To expand relationship with Cochlear and other hearing--related entities so as to be internationally recognized as a world--leading center of excellence in hearing.

Within MQU's Sustainability Strategy, the University identifies Facilities and Operations as a priority area which includes goals to:

- Achieve 5 Star Green Star ratings and 4.5 NABERS energy and water ratings for commercial buildings on the campus;
- Operational energy savings across building portfolio;
- Achieve a 40% reduction of greenhouse gas emissions intensity per square metre of gross floor area (from 2009 baseline);
- Reduce potable water consumption per EFTP by 40% below 2007 figures in new commercial buildings;
- Achieve 90% waste diversion from landfill by 2020;
- Provide opportunity to maximize the uptake of alternative travel to single occupant vehicles, as well as vehicles that are a sustainable alternative to petrol.

Macquarie University transparently monitors, evaluates and reports on these goals. Sustainalytics is of the opinion that MQU's sustainability efforts to integrate sustainability within its Strategic Priorities is indicative of the priority the University assigns to achieving positive sustainability impact. As such, Sustainalytics is of the opinion that Macquarie University's sustainability financing is aligned with MQU's overall sustainability efforts and serves as a tool to finance its sustainability targets.

Well positioned to address common environmental and social risks associated with the projects

To mitigate environmental and social risks stemming from its normal operations as well as its Eligible Projects, the university has implemented a comprehensive set of environmental and social policies and guidelines.

MQU manages environmental risks for new construction projects through "the preparation of an appropriate site-specific Environmental Management Plan (EMP) prior to the commencement of the relevant site works". The EMP is prepared by MQU's contractors as a condition of the contract. Additionally, for all projects of \$10m or more, and all environmentally sensitive projects under \$10m, requires contractors to have a corporate Environmental Management System (EMS) accredited by an independent third-party auditor.

With regard to social risks, MQU confirmed the establishment of two centralized Human Research Ethics Committees and several faculty-based ethics subcommittees⁷ constituted and operated in accordance with

⁶ MQU Strategic Priorities: <https://www.mq.edu.au/about/about-the-university/strategy-and-initiatives/strategic-priorities>

⁷ MQU Human Research Ethics: <https://www.mq.edu.au/research/ethics-integrity-and-policies/ethics/human-ethics>

Australia's National Statement on Ethical Conduct in Human Research.⁸ In this sense, all research conducted within MQU's premises or by its staff, must obtain ethics approval from the university's Human Research Ethics Committee, in accordance with the Human Research Ethics Policy.⁹ Similarly, the University also implemented an Animal Ethics Committee¹⁰ which ensures that all animal research and testing is executed in compliance with the Australian Code for the Care and Use of Animals for Scientific Purposes.¹¹ MQU has also drawn guidelines for laser safety, radiation safety and set-up an Institutional Biosafety Committee,¹² all regulated by the Macquarie University Code for the Responsible Conduct of Research.¹³

Sustainalytics holds a positive view of MQU's environmental and social risk mitigation processes due to the University's (i) governance structures overseeing its research operations, (ii) requirement of Environmental Management Plans for construction work, as well as (iii) overarching Code for Responsible Conduct of Research. Overall, Sustainalytics is confident that MQU is well positioned to identify, manage and mitigate environmental and social risks commonly associated with its research operations and eligible projects.

Section 3: Impact of Use of Proceeds

All seven use of proceeds categories are recognized as impactful by GBP, SBP and SBG 2018 and GLP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

Environmental Impact of green buildings in Australia

The Australian government is committed to reducing GHG emissions by 26-28% below 2005 levels by 2030, in line with the Paris Agreement.¹⁴ In order to achieve the target reduction, the government has adopted several policies including the application of Minimum Energy Performance Standards for new appliances and buildings¹⁵ in commercial and residential sectors. In addition, the National Construction Code (NCC) 2016,¹⁶ which details the minimum necessary requirements for safety, health, amenity and sustainability in the design and construction of new buildings and new building work in existing buildings, was introduced by the States and Territories in 2016. Given those national targets and regulations, the role of green buildings in Australia is significant.

Environmental rating systems such as Green Star and NABERS (National Australian Built Environment Rating System) are widely accepted as key to reducing the environmental impact of buildings. According to the Green Building Council of Australia, which oversees the Green Star system, Green Star-rated buildings on average emit 62% less GHG emissions and use 66% less electricity than the average Australian city building.¹⁷ Additionally, they consume 51% less potable water than if they had been built to meet minimum industry requirements.

Overall, Sustainalytics is of the opinion that MQU's green building projects will provide environmental benefits and contribute to the Australian government's GHG emissions reduction goal.

⁸ National Statement on Ethical Conduct in Human Research: <https://www.nhmrc.gov.au/guidelines-publications/e72>

⁹ Human Research Ethics Policy:

<https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policies/human-research-ethics#policy>

¹⁰ MQU Animal Ethics Committee: <https://www.mq.edu.au/research/ethics-integrity-and-policies/ethics/animal-ethics>

¹¹ The Australian Code for the Care and Use of Animals for Scientific Purposes:

<https://www.mq.edu.au/research/ethics-integrity-and-policies/ethics/animal-ethics>

¹² Guidelines for laser safety, radiation safety and the Institutional Biosafety Committee:

<https://www.mq.edu.au/research/ethics-integrity-and-policies/Research-safety-and-security>

¹³ Macquarie University Code for Responsible Conduct of Research: https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policies/responsible-conduct-of-research/media/The-Macquarie-University-Code-for-the-Responsible-Conduct-of-Research_June2017.pdf

¹⁴ Department of the Environment and Energy, Australian Government:

<http://www.environment.gov.au/climate-change/publications/factsheet-australias-2030-climate-change-target>

¹⁵ Australian Sustainable Built Environment Council:

<http://www.asbec.asn.au/news-items/australias-2030-emission-reduction-target/>

¹⁶ Australian Building Codes Board: <https://www.abcb.gov.au/ncc-online/About>

¹⁷ Green Building Council of Australia: https://www.gbca.org.au/uploads/91/2139/Introducing_Green_Star.pdf

MQU's Green Building Progress and Limitations in Receiving Third-Party Certification / Ratings

MQU has achieved a 5 Star Green Star "As-Built Rating" for its Australian Hearing Hub building and a 5 Star Green Star "Design Rating" for its on-campus library. The University has confirmed to Sustainalytics that a Green Star rating is not being pursued for the Central Courtyard Precinct (the "Courtyard"). Although MQU is not pursuing Green Star ratings, the University has provided Sustainalytics with sufficient evidence to demonstrate that the Courtyard is being designed and built to provide performance equivalence of a minimum 5 Star Green Star Design & As Built v1.1 rating in accordance with the Ecologically Sustainable Design (ESD) Principles. MQU has presented Sustainalytics The Macquarie University Central Courtyard Precinct Masterplan, which follows the (ESD) Principles, provides detailed sustainability design strategies for the Courtyard. Additionally, MQU has provided the scorecard for GBCA Green Star Design and As Built v1.1 with points targeted to meet or exceed certification standards in the following required categories: Management, Indoor Environment Quality, Energy, Transport, Water Materials, Land Use & Ecology, Emissions, and Innovation. MQU is committed to provide an updated scorecard as part of its annual reporting. Further, Sustainalytics has reviewed design specifications between MQU and its building contractors which states the following:

"The project has been designed to address the brief requirement of achieving a Green Star Design & As Built v1.1 equivalence of a minimum of 5 Stars. While an actual rating under Green Star is not being pursued, design initiatives have been included to provide performance equivalent to that of a 5 Star rated project under the nominated Green Star tool. This performance is to be achieved in the construction of the building in order to provide equivalence to an As Built rating."

Sustainalytics acknowledges MQU's limitations in receiving certification for its Central Courtyard Precinct project and is of the opinion that the University has incorporated sufficient design and construction considerations to reduce the building's environmental impact. Additionally, Sustainalytics holds a positive opinion on MQU's efforts to demonstrate minimum environmental design and operational standards, as well as appropriate certification levels, for new construction and renovation of existing building projects. The University's design guidelines incorporate a number of sustainable building design principles and provide details of the Sustainability Targets which are defined in all new tenders with contractors.¹⁸ However, Sustainalytics also acknowledges that building certifications serve as evidence to demonstrate the performance of buildings in the market and, as such, encourages MQU to pursue best practice certification for future building projects, when feasible.

Importance of socially impactful programs in educational institutions

Education is considered a fundamental right according to the International Covenant on Economic, Social and Cultural Rights.¹⁹ Enabling access to quality education is necessary for building a skilled workforce, reducing inequalities, and ensuring a country's competitiveness. While higher education is a major contributor to the development of a skilled Australian workforce, the country continues to focus on addressing the rights of all citizens to share in its benefits.

Sustainalytics is of the opinion that Macquarie University's social expenditures, specifically for programs focused on disability sensitive learning, will lead to reduced inequalities in the tertiary education system in Australia. Such programs will provide a strong framework for disadvantaged students to acquire the necessary skills for independent life and successfully transition from school environments into work or entrepreneurial environments.

Disability Sensitive Learning

The Australian Government's National Disability Strategy²⁰ sets out six priority areas to improve the lives of people with disability and their families. These priority areas include a strong emphasis on improved access to education so people with disabilities can participate in a high-quality education system with the aim of, reducing the barriers to employment that they face. To enhance its support for disabled groups in the education system, the Australian government tailored a series of Disability Standards for Education²¹ in order to clarify the obligations of education and training providers and ensure that students with disabilities receive education services on the same basis as other students. In this sense, Sustainalytics considers that

¹⁸ MQU Property Design Guidelines: https://property.mq.edu.au/strategic_planning/sustainability

¹⁹ International Covenant on Economic, Social and Cultural Rights: <http://www.ohchr.org/EN/ProfessionalInterest/Pages/CESCR.aspx>

²⁰ Australia's National Disability Strategy 2010-2020:

https://www.dss.gov.au/sites/default/files/documents/05_2012/national_disability_strategy_2010_2020.pdf

²¹ Australia's Disability Standards for Education:

https://docs.education.gov.au/system/files/doc/other/disability_standards_for_education_2005_plus_guidance_notes.pdf

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the University's support for disadvantaged students promotes equality, increases social inclusion, improves access to employment, and aligns with Australia's national strategies in this area.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. Though Macquarie University has indicated relevant SDGs within its Framework, Sustainalytics highlights key SDG goals and targets the sustainability financing advances:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable cities and communities	11.c Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials.
Alternative Energy and energy efficiency	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3 By 2030, double the global rate of improvement in energy efficiency.
Pollution Prevention and Control	12. Responsible consumption and production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources. 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
Sustainable Water and Wastewater Management	6. Clean water and sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.
Environmentally Sustainable Management of Living Natural Resources and Land Use	14. Life below water	14.a Increase scientific knowledge, develop research capacity and transfer marine technology, taking into account the Intergovernmental Oceanographic Commission Criteria and Guidelines on the Transfer of Marine Technology, in order to improve ocean health and to enhance the contribution of marine biodiversity to the development of developing countries.
	15. Life of land	15.a Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.
Access to essential services	3. Good health and well-being	3.d Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks.
	9. Industry, innovation and infrastructure	9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.
	10. Reduce inequalities	10.4 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
Socioeconomic advancement and empowerment	4. Quality education	4.b By 2020, substantially expand globally the number of scholarships available to developing countries, in particular least developed countries, small island developing States and African countries, for enrolment in higher education, including vocational training and information and communications technology, technical, engineering and scientific programmes. 4.7 By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global

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	<p>8. Decent work and economic growth</p> <p>11. Sustainable cities and communities</p>	<p>citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development.</p> <p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p> <p>11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.</p>
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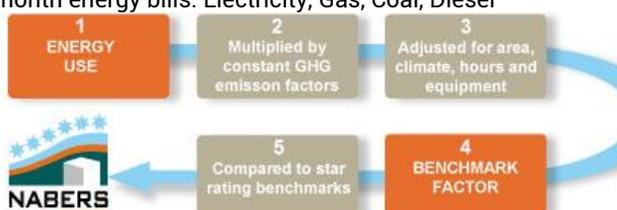
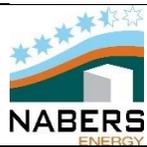
Conclusion

Macquarie has developed the Macquarie University Sustainability Financing Framework for its Sustainability Financing Transactions to finance, or refinance, projects that deliver positive environmental and social outcomes and that support MQU's strategy and vision. Taking into consideration MQU's Strategic Priorities and Sustainability Strategy, Sustainalytics believes that the MQU's framework is aligned with the overall sustainability objectives of the University.

By adhering to strong eligibility criteria, demonstrating a structured and transparent project selection and management of proceeds process, and reporting on relevant Key Performance Indicators to measure the impact of the allocated proceeds, Sustainalytics considers the framework to be fully aligned with the Sustainability Bond Guidelines 2018. Sustainalytics is of the opinion that the Macquarie University Sustainability Financing Framework is robust, credible and transparent.

Appendices

Appendix 1: Comparison of Eligible Certification Schemes

	GBCA Green Star	NABERS Energy Rating
Background	Established in 2003, the Green Building Council of Australia's Green Star system is the nation's authority on sustainable buildings, communities and cities. The rating system assesses buildings in one of four categories: Communities, Design & As Built, Interiors, and Performance.	NABERS, the National Australian Built Environment Rating System, is an initiative by the government of Australia to measure and compare the environmental performance of Australian buildings and tenancies. NABERS provides a star rating that represents the actual operational performance, using 12 months of measured performance information, such as energy or water bills or a waste audit. The program compares the performance of buildings to benchmarks that represent the performance of other similar buildings in the same location.
Certification levels	1 Star (Minimum Practice) 2 Star (Average Practice) 3 Star (Good Practice) 4 Star (Best Practice) 5 Star (Australian Excellence) 6 Star (World Leadership)	1 Star (Poor) 2 Star (Below Average) 3 Star (Average) 4 Star (Good) 5 Star (Excellent) 6 Star (Market Leading)
Areas of Assessment: Environmental Performance of the Building	<i>Areas assessed for Design & As Built, Interiors, and Performance:</i> Management Indoor Environment Quality Energy Transport Water Materials Land Use and Ecology Emissions Innovation	Building Postcode Hours each week with occupancy levels of 20% or more Net Lettable Area of the building (m2) Number of computers that are normally switched on when the building is occupied Percentage Breakdown of Energy Consumption with 12-month energy bills: Electricity, Gas, Coal, Diesel  1 ENERGY USE → 2 Multiplied by constant GHG emission factors → 3 Adjusted for area, climate, hours and equipment → 4 BENCHMARK FACTOR → 5 Compared to star rating benchmarks → NABERS ENERGY
Performance display		
Qualitative considerations	Commonly used in Australia, New Zealand, and South Africa. Set up similar to BREEAM and LEED.	Environmental rating tool that provides a reliable benchmark of the actual environmental performance of a building compared to other Australian buildings.

Difference Between NABERS Energy rating and a Green Star rating²²

NABERS is a performance-based national rating system that measures the environmental performance of existing buildings, tenancies and homes. NABERS is a national system run by the NSW Office of Environment and Heritage on behalf of the Australian, state and territory governments. See www.nabers.gov.au for more information.

Green Star is a rating system that evaluates the environmental design and construction of new buildings. Green Star is a national voluntary environmental rating system developed by the Green Building Council of Australia. See <http://new.gbca.org.au/green-star/> for more information.

²² <http://cbd.gov.au/get-and-use-a-rating/nabers-energy-for-offices-star-ratings#NABERS%20Energy%20rating%20vs%20Green%20Star%20rating>

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Macquarie University
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Macquarie University Sustainability Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	August 9, 2018
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and SBPs:

- | | |
|------------------------------------------------------------|----------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|----------------------------------------------------------------------|----------------------------------------|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Executive Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The seven eligible categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers the range of eligible projects to have positive environmental and social impacts and to advance the UN Sustainable Development Goals.

Use of proceeds categories as per GBP:

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other <i>(please specify)</i> : |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Eligible projects are reviewed and selected by a dedicated Sustainability Financing Committee consisting of representatives from the Finance, Sustainability and Property Teams. Shortlisted projects will be presented to the Finance and Facilities Committee and approved by the University Council. The University has sufficient oversight in ensuring projects selected meet the Use of Proceeds category which is aligned with current market practices.

Evaluation and selection

- | | |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Eligible projects are tracked in a Sustainability Financing Projects Register which includes relevant information on each transaction. All transactions will be earmarked for allocation against the eligible projects and any unallocated proceeds will be invested according to the University's Investment Policy. The University's disclosure and processes with respect to management of proceeds is in line with market practices.

Tracking of proceeds:

- | |
|-------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> : |

4. REPORTING

Overall comment on section (if applicable):

MQU commits to publish an annual Macquarie University Sustainable Financing Report ('Annual Report') and an annual Assurance/Compliance Report prepared by an appropriate External Review Provider. The (i) allocation reporting will comprise relevant SFT information including a list of projects financed, the description of major projects financed and corresponding allocated amount, and the remaining balance of unallocated proceeds. With regards to the (ii) impact reporting, MQU commits to disclose a comprehensive set of environmental and social impact metrics. Sustainalytics highlights MQU's commitment to engage with an External Review Provider for its annual review which will be publicly available on its website. The University's reporting and transparency commitments are aligned with current market best practices.

Use of proceeds reporting:

- | | |
|--------------------------------------------------------|------------------------------------------------------------------|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information reported:

- | | |
|----------------------------------------------------------|---------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Frequency:

- | | |
|--------------------------------------------------|--------------------------------------|
| <input type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--------------------------------------------------------|------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Macquarie University Sustainability Bond

Frequency:

- Annual
 Semi-annual
 Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings
 Energy Savings
 Decrease in water use
 Number of beneficiaries
 Target populations
 Other ESG indicators (please specify): *comprehensive KPI list available in issuer's framework, Appendix B.*

Means of Disclosure

- Information published in financial report
 Information published in sustainability report
 Information published in ad hoc documents
 Other (please specify): Annual Macquarie University Sustainable Financing Report
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.mq.edu.au>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion)
 Certification
 Verification / Audit
 Rating
 Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. **Consultant Review:** An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second Party Opinions" may fall into this category.
- ii. **Verification:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against an external green and social assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. **Rating:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks / programmes.

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