

# Second-Party Opinion Goodman Group Sustainability-Linked Bond Framework



## Evaluation Summary

Sustainalytics is of the opinion that the Goodman Group Sustainability-Linked Bond Framework aligns with the Sustainability-Linked Bond Principles 2020. This assessment is based on the following:

- Selection of Key Performance Indicators (KPI)** The Goodman Group Sustainability-Linked Bond Framework includes one KPI: Absolute scope 1 and 2 GHG emissions (tCO<sub>2e</sub>) (see Table 1). Sustainalytics considers the KPI chosen to be adequate based on its materiality, relevance, scope of applicability and adequacy to external benchmarking.
- Calibration of Sustainability Performance Targets (SPT)** Sustainalytics considers the SPT to be aligned with Goodman Group's sustainability strategy. Sustainalytics further considers the SPT to be highly ambitious based on the improvement it presents over historical performance, alignment with peers, and alignment with science-based targets.
- Bond Characteristics** Goodman Group will link the sustainability-linked bonds' financial characteristics to the achievement of the SPT. The change in financial characteristics may trigger a coupon adjustment or a premium payment upon maturity, as applicable, and are to be detailed in the individual transaction documents.
- Reporting** Goodman Group commits to report on its progress toward the SPT on an annual basis on Goodman Group's website, or as part of its Sustainability Report. The reporting commitments are aligned with the Sustainability-Linked Bond Principles.
- Verification** Goodman Group commits to obtain independent external verification by an accredited/qualified party on its annual KPI performance at least once a year up to the maturity of the last outstanding sustainability-linked bond, which is aligned with market expectation.

<b>Evaluation Date</b>	April 25, 2022
<b>Issuer Location</b>	Sydney, Australia

The SPT contribute to the following SDGs:



## Overview of KPI and SPT

KPI	Baseline	SPT	Strength of KPI	Ambitiousness of SPT
Absolute scope 1 and 2 GHG emissions (tCO <sub>2e</sub> )	2021	Absolute reduction in scope 1 and 2 GHG emissions in line with the 1.5°C Paris Agreement scenario as validated by the Science Based Targets initiative (SBTi)	Adequate	Highly Ambitious

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## Scope of Work and Limitations

Goodman Group has engaged Sustainalytics to review the Goodman Group Sustainability-Linked Bond Framework dated April 2022 (the "Framework") and provide an opinion on its alignment with the Sustainability-Linked Bond Principles 2020 (SLBP).<sup>1</sup>

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent<sup>2</sup> opinion on the alignment of the Framework with the SLBP, as administered by ICMA.

As part of this engagement, Sustainalytics exchanged information with various members of the Goodman management team to understand the sustainability impact of their business processes and SPTs, as well as the reporting and verification processes of aspects of the Framework. Goodman Group's representatives have confirmed that:

- (1) They understand it is the sole responsibility of the issuer to ensure that the information provided is complete, accurate or up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Goodman. Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure KPI performance.<sup>3</sup> The measurement and reporting of the KPIs is the responsibility of the issuer. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Goodman Group has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion up to 24 months or until one of the following occurs:

- (1) A material change to the external benchmarks<sup>4</sup> against which targets were set;
- (2) A material corporate action (such as a material M&A or change in business activity) which has a bearing on the achievement of the SPTs or the materiality of the KPIs.

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<sup>1</sup> The Sustainability-Linked Bond Principles were launched by ICMA in June 2020. They are administered by ICMA and are available at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-100620.pdf>.

<sup>2</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

<sup>3</sup> Sustainalytics has provided an opinion based on the understanding that the financial characteristics of instruments issued under this Framework will be tied to the achievement of SPTs corresponding to each of the KPIs included in the Framework.

<sup>4</sup> Benchmarks refers to science-based benchmarks

## Introduction

Goodman Group (“Goodman” or the “Group”) is an Australia-based commercial and industrial property group that owns, develops and manages industrial real estate including logistics and industrial facilities, warehouses and business parks. As of April 2022, Goodman has a global presence in over 14 countries, involving more than 1,700 customers.<sup>5</sup>

Goodman intends to issue sustainability-linked bonds where coupon rate or premium payment is tied to the achievement of sustainability performance targets for the KPI related to the reduction in absolute scope 1 and 2 GHG emissions (tCO<sub>2</sub>e).

Goodman has engaged Sustainalytics to review the Framework and provide an opinion on the alignment of the Framework with the Sustainability-Linked Bond Principles 2020 (SLBP).

The KPI and SPT used by Goodman are defined in Tables 1 and 2 below.

**Table 1: KPI Definitions**

KPI	Definition
Absolute scope 1 and 2 GHG emissions (tCO <sub>2</sub> e)	<p>KPI measures absolute scope 1 and 2 GHG emissions, in tCO<sub>2</sub>e, from, sources that are controlled by the Group and its subsidiaries in the operation of their business, including the emissions that the Group has control of within the operations of its partnerships.</p> <p>In 2021, Goodman compiled a global carbon inventory aligned with the GHG Protocol for calculating scope 1 and 2 GHG emissions of its global operations.<sup>6</sup> Before 2021, Goodman calculated its scope 1 and 2 GHG emissions of its Australian operations in accordance with the National Greenhouse and Energy Reporting (NGER) Act 2007 guidelines.<sup>7</sup></p>

**Table 2: SPTs and Past Performance<sup>8</sup>**

KPI	2018 (Australia)	2019 (Australia)	2020 (Australia)	2021 (Global baseline)	SPT 2030
Absolute scope 1 and 2 GHG emissions (tCO <sub>2</sub> e)	31,175	28,447	27,173	44,732	Absolute reduction in scope 1 and 2 GHG emissions in line with the 1.5°C Paris Agreement scenario as validated by the Science Based Targets initiative (SBTi)

## Sustainalytics’ Opinion

### Section 1: Sustainalytics’ Opinion on the Alignment of the Goodman Group Sustainability-Linked Bond Framework with the Sustainability-Linked Bond Principles

<sup>5</sup> Goodman, “About us”, accessed on April 8, 2022, at: <https://www.goodman.com/who-we-are/about-us>

<sup>6</sup> The Greenhouse Gas Protocol, “A Corporate Accounting and Reporting Standard revised edition”, (2015) at: <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

<sup>7</sup> NGER, “About the National Greenhouse and Energy Reporting scheme”, at: <http://www.cleanenergyregulator.gov.au/NGER/About-the-National-Greenhouse-and-Energy-Reporting-scheme>

<sup>8</sup> Goodman has communicated to Sustainalytics that its GHG emissions measurement was limited to Australian operations prior to 2021 and was calculated in line with the NGER Act 2007.

Sustainalytics is of the opinion that the Goodman Group Sustainability-Linked Bond Framework aligns with the five core components of the Sustainability-Linked Bond Principles 2020.



## Selection of Key Performance Indicators

### Relevance and Materiality of KPI

In its assessment of materiality and relevance, Sustainalytics considers: i) whether an indicator speaks to a material impact of the issuer's business on environmental or social issues, and ii) to what extent the KPI is applicable.

Sustainalytics considers the KPI – Absolute scope 1 and 2 GHG emissions (tCO<sub>2</sub>e) – to be material and relevant based on the following:

Globally, the real estate sector accounts for nearly 40% of annual GHG emissions, with building operations accounting for 28% of the sector's total GHG emissions and building materials and construction accounting for 11%.<sup>9</sup> Additionally, the operation of large warehouses generates a considerable amount of GHG emissions due to lighting, heating, cooling, as well as fixed and mobile material handling equipment.<sup>10</sup>

Goodman identified "Climate risk management" as a material ESG issue which plays a key role in its 2030 Sustainability Strategy. Furthermore, the Group identifies GHG emissions generated through its operations as a material environmental issue and provides disclosures as part of its annual reporting on GHG emissions across its operations in line with the Global Reporting Initiative (GRI)<sup>11</sup> standard.<sup>12</sup>

Goodman's scope 1 GHG emissions include emissions from natural gas, fuels and refrigerant gases, while scope 2 GHG emissions include emissions associated with electricity use. Sustainalytics notes that while the KPI covers a portion of the Group's carbon footprint, it does not include scope 3 emissions, which represent a large majority of the Group's total emissions. Sustainalytics recognizes the importance of reducing scope 3 emissions, nevertheless, Sustainalytics notes that Goodman has neither operational control or visibility over its scope 3 tenants' emissions as electricity and heating supplies are procured by the tenants directly. Therefore, Sustainalytics considers that the KPI has a limited scope of applicability in relation to the Group's total GHG footprint.

### KPI Characteristics

In its assessment of the KPI's characteristics, Sustainalytics considers: i) whether it uses a clear and consistent methodology, ii) whether it follows an externally recognized definition, iii) whether the KPI is a direct measure of the issuer's performance on the material environmental or social issue, and iv) if applicable, whether the methodology can be benchmarked against an external contextual benchmark.<sup>13</sup>

#### KPI - Absolute scope 1 and 2 GHG emissions (tCO<sub>2</sub>e)

Sustainalytics considers Goodman's definition and methodology to calculate KPI performance to be clear based on the guidelines from the GHG Protocol's Corporate Reporting Standard, while noting that it followed the NGER Act 2007 for calculating scope 1 and 2 GHG emissions of its Australian operations prior to 2021. The metric also lends itself to benchmarking against external emissions reduction trajectories, such as those developed by the

<sup>9</sup> Architecture 2030, "Why the building sector?", at: <https://architecture2030.org/why-the-building-sector/>

<sup>10</sup> University of London Institutional Repository, "Environmental impact of warehousing: A scenario analysis for the United States", at: <https://openaccess.city.ac.uk/id/eprint/17118/1/Environmental%20impact%20of%20warehousing%20A%20scenario%20analysis%20for%20the%20United%20States.pdf>

<sup>11</sup> GRI, "The global standards for sustainability reporting", at: <https://www.globalreporting.org/standards/>

<sup>12</sup> Goodman Group, "Goodman Group 2021 Sustainability Report", at: <https://www.2021sustainabilityreport.goodman.com/wp-content/uploads/2021/12/Goodman-Group-2021-Sustainability-report.pdf>

<sup>13</sup> External contextual benchmarks provide guidance on alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

Science Based Targets Initiative (SBTi). Sustainalytics further considers KPI to be a direct measure of the Group’s performance on material environmental issues related to GHG emissions generated across its operations.

**Overall Assessment**

Sustainalytics considers the KPI - Absolute scope 1 and 2 GHG emissions (tCO<sub>2</sub>e), to be adequate given that it is a direct measure of the Group’s emissions, it lends itself to external contextual benchmarking, but has a limited scope of applicability in terms of the Group’s total emissions.

KPI	Strength of KPI			
Absolute scope 1 and 2 GHG emissions (tCO <sub>2</sub> e)	Not Aligned	Adequate	Strong	Very strong



**Calibration of Sustainability Performance Targets**

**Alignment with Goodman’s Sustainability Strategy**

Goodman has set the following SPT for its KPI:

Absolute reduction in scope 1 and 2 emissions, expressed as a percentage, in line with 1.5 degrees Paris Agreement Scenario as validated by SBTi, with straight line interpolation of the 2030 GHG scope 1 and scope 2 emissions reduction target if the testing date is set prior to 2030. Sustainalytics considers the SPT to be aligned with Goodman’s sustainability strategy. Please refer to Section 2 for an analysis of the credibility of Goodman Group’s sustainability strategy.

Goodman Group’s 2030 Sustainability Strategy covers "Climate risk management" as one of its key focus areas, including establishing GHG emissions reduction targets. These include targets for renewable energy expansion and carbon neutrality across the Group’s operations by 2025. In FY 2021, the Group was certified by the Australian Government’s Climate Active program and achieved carbon neutrality for its global operations ahead of its 2025 target by increasing the use of renewable energy and investing in 100% Australian carbon credit units. As of 2021, Goodman’s scope 1 and 2 GHG emissions from operations in Australia had decreased by 14% in absolute value compared to 2018 levels.<sup>14</sup> Before 2021, Goodman was reporting GHG emissions for its Australian operations, and recently included GHG emissions across global operations as part of its annual reporting. Furthermore, the Group recently committed to the SBTi in 2022.<sup>15</sup>

**Strategy to Achieve the SPT**

Goodman intends to achieve the SPT through the following strategy:

- The Group’s standard development specifications include a range of design initiatives which aim to reduce energy consumption during the operational phase of its properties. These include features such as natural lighting, energy-efficient lighting systems, automated and sensor-controlled lighting, insulated wall panels and high-performance glazing. In order to decarbonise its operation, the Group will invest in onsite power generation through solar PV systems, energy efficiency initiatives, and procurement of electricity through renewable energy certificates. Furthermore, the Group will prioritize the procurement of renewable energy certificates (RECs).

**Ambitiousness, Baseline and Benchmarks**

To determine the ambitiousness of the SPTs, Sustainalytics considers: i) whether the SPT goes beyond a business-as-usual trajectory, ii) how the SPT compares to targets set by peers, and iii) how the SPT compares with science.<sup>16</sup>

<sup>14</sup> Goodman Group, "Goodman Group 2021 Sustainability Report", at: <https://www.2021sustainabilityreport.goodman.com/wp-content/uploads/2021/12/Goodman-Group-2021-Sustainability-report.pdf>

<sup>15</sup> SBTi, "Companies taking action", at: <https://sciencebasedtargets.org/companies-taking-action>

<sup>16</sup> We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.

Goodman has set the baseline for its SPT at 2021, which was the most recent complete year of GHG emissions data for global operations.

**SPT:** Sustainalytics was able to use past performance, peer performance, and science-based trajectories to assess ambitiousness.

Prior to 2021, Goodman measured and disclosed its GHG emissions generated across its Australian operations alone and started reporting on its global emissions in 2021. Therefore, Sustainalytics referred the historical performance data of the Australian operations as a proxy for conducting past performance analysis. Based on this assumption, Goodman has demonstrated an estimated annual average reduction in scope 1 and 2 GHG emissions of 0.32% between 2018 and 2021. Considering that the Group’s SPT will be aligned to the SBTi validated 1.5°C warming scenario using an Absolute Contraction Approach, achieving the SPT will require a 4.2% of annual reduction in scope 1 and 2 GHG emissions between 2021 and 2030, Sustainalytics considers the SPT to be above Goodman’s historical performance<sup>17</sup>

Regarding peer comparisons, Sustainalytics analysed the targets set by local and global industry peers. In comparison to its five industry peers, Goodman’s scope 1 and 2 GHG emissions target aligns with targets set by peers. In addition, Goodman is among the seven Australian real estate companies that have committed to set SBTs aligned with the SBTi’s target-setting criteria.<sup>18</sup>

**Overall Assessment**

Sustainalytics considers the SPTs to align with Goodman’s sustainability strategy and SPT to be highly ambitious given that it presents a material improvement compared to past performance, is aligned with peers, and has been assessed to align with a 1.5 °C scenario.

SPT	Ambitiousness of SPT			
Absolute reduction in scope 1 and 2 GHG emissions in line with the 1.5°C Paris Agreement scenario as validated by the Science Based Targets initiative (SBTi)	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



**Bond Characteristics**

Goodman has disclosed that the financial characteristics of the sustainability-linked bonds issued under the Framework will be linked to the achievement of the SPT. The success or failure to achieve the SPT on the relevant target observation dates will trigger a coupon adjustment or a premium payment upon maturity, as applicable, and will be specified in the individual transaction documents. Sustainalytics considers the level of disclosure to be aligned with the SLBP, noting that it does not opine on the adequacy or the magnitude of the financial penalty.



**Reporting**

Goodman commits to reporting on its progress against the KPI towards the relevant SPT on an annual basis, through its website and/or its Sustainability Report. The report(s) will be made available on the Group’s website. Goodman further commits to disclose relevant information that will enable investors to monitor the level of ambition of the SPT. These reporting provisions are aligned with the SLBP.



**Verification**

Goodman commits to have an external verifier provide independent review and verification on its annual KPI performance at least once a year up to the maturity of the last outstanding sustainability-linked bond. Further, the

<sup>17</sup> The absolute contraction approach is a method for companies to set emissions reduction targets that are aligned with the global, annual emissions reduction rate that is required to meet the 1.5°C or well-below 2°C targets.

<sup>18</sup> SBTi, “Companies taking action”, at: <https://sciencebasedtargets.org/companies-taking-action>

findings of the verification will be provided alongside or as a part of the updated annual performance report. The confirmation of verification will be made publicly available on the Group's website or included as part of the Group's annual Sustainability Report. These verification provisions are aligned with the SLBP.

## Section 2: Assessment of Goodman Group Sustainability Strategy

### Credibility of Goodman Sustainability Strategy

Goodman has been reporting on its sustainability performance through its Annual Reports since 2016 and establishing a sustainability report in accordance with the Global Reporting Initiative (GRI) Standards since 2019. Furthermore, Goodman aligned its climate risk assessment and ESG-related disclosure with Task Force on Climate-related Financial Disclosure (TCFD) framework guidelines in 2020.<sup>19</sup>

Goodman's sustainability policy and strategy are embedded in its corporate governance structures, with the Risk and Compliance Committee overseeing its overall sustainability objectives and targets.<sup>20</sup> The 2030 sustainability strategy of Goodman focuses its sustainability-related goals under three pillars: (i) sustainable properties, (ii) people and culture, and (iii) corporate performance.<sup>21</sup> Within the sustainable properties pillar, the Group has defined among others the following targets: (i) install 400 MW of solar photovoltaic capacity in operation by 2025 (ii) 100% renewable energy within the operations by 2025, and (iii) carbon-neutral operations by 2025. In 2021, Goodman has achieved carbon neutrality for its global operations, which includes GHG emissions under scope 1 and scope 2, as well as a portion of scope 3 emissions over which the Group has operational control.<sup>22</sup> To further advance the Group's sustainability strategy, Goodman is also undertaking the following measures (i) investing in carbon credits to offset the carbon emitted outside the Group's operational control, (ii) working with supply chain partners to identify lower carbon solutions for the production process of its construction materials namely, concrete and steel, and (iii) installing solar plants and increasing its solar energy capacity. As of 2021, the Group was involved in several solar projects in its operating regions such as Belgium, Japan and Australia and has increased by 70 MW of its total solar energy installation, which brought the Goodman's global installations to around 125 MW. Based on this progression, Goodman has targeted to generate an additional 75 MW of its solar capacity in 2022.<sup>23</sup>

Given the Group's quantitative goals and corporate-wide strategy, Sustainalytics considers the targets and achievements to be aligned with and support the SPT established by the Framework and views the bonds issued under it to further support the sustainability strategy of the Goodman Group.

### Goodman Environmental and Social Risk Management

According to Sustainalytics ESG Risk Assessment, Goodman Group's overall management of material ESG issues is considered strong. Sustainalytics also recognizes that the targets defined by Goodman are impactful but acknowledges that achieving the SPT bears environmental and social risks primarily related to ESG integration financials,<sup>24</sup> human capital,<sup>25</sup> water and waste management, land use and biodiversity, and occupational health and safety.

Sustainalytics comments below on Goodman's ability to mitigate such potential risks.

- To address the risk related to ESG integration - financials, the Company's Corporate Responsibility and Sustainability Policy outlines guidelines to manage material ESG-related issues, which contains the assessment of financial risks and opportunities associated with climate change.<sup>26</sup> In 2020, the Company completed the climate risk assessment in

<sup>19</sup> Goodman Group, "Sustainability", at: <https://www.goodman.com/sustainability/overview>

<sup>20</sup> Goodman Group, "Goodman Group 2021 Sustainability Report", (2021), at: <https://www.2021sustainabilityreport.goodman.com/wp-content/uploads/2021/12/Goodman-Group-2021-Sustainability-report.pdf>

<sup>21</sup> Ibid.

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

<sup>24</sup> Includes all ESG integration activities by financial institutions that are either driven by financial downside risk considerations or by business opportunities according to the definition in Sustainalytics ESG Risk Rating.

<sup>25</sup> The management of risks related to scarcity of skilled labour as well as labour relations, such as non-discrimination, working hours and minimum wages according to the definition in Sustainalytics ESG Risk Rating.

<sup>26</sup> Goodman Group, "Corporate Responsibility and Sustainability Policy", at: <https://www.goodman.com/-/media/files/sites/global/who-we-are/corporate-governance/policies-2021/sustainability-policy--revision-feb-2022.pdf>

accordance with the TCFD guidelines and adopted a corresponding strategy to address the potential and actual impacts of climate-related risks and opportunities to its businesses, strategy and financial planning.<sup>27</sup>

- Goodman Group Code of Conduct,<sup>28</sup> Diversity and Inclusion policy,<sup>29</sup> and Anti-bribery and corruption policy<sup>30</sup> outline the basic principles for all of its employees regarding health and safety, working conditions, human rights and business ethics. All employees and relevant stakeholders (including contractors and third parties) are required to report any violation of the Code to the Supervisory Body which is responsible for monitoring compliance.
- Goodman is committed to improving its environmental performance in terms of water and waste management. Operating in a region where water scarcity is problematic, the Group has several development specifications in place including rainwater harvesting tanks, rainwater re-use in amenities and landscaping, water-efficient fixtures, and drought-tolerant plants and landscaping.<sup>31</sup> With regards to waste management, the Group works with pre-qualified principal contractors and encourages their contractors to manage their waste in line with best practices and implement recycling practices throughout the construction process.<sup>32</sup>
- Goodman manages the risk of land use and biodiversity associated with its development activities by complying with both national and local applicable regulations and development conditions of an area.<sup>33</sup> To do this, the Group involves ecologists in every project and collaborates with knowledgeable partners who can provide local expertise in the field.<sup>34</sup> As a result, the Group transfers their recommendations into practice and undertakes initiatives such as land rehabilitation, green corridors, and using native species in landscaping in order to maintain and enhance the local environment.
- Occupational health and safety are addressed within the Company's Safety Statement<sup>35</sup> which states the commitment to and accountability for health and safety issues concerning all employees, contractors and supply chain. To fulfill the commitment, the Company established the Global Safety Framework, which includes Safety Policy, Safety Standards, Safety Corporate Governance Framework and Critical Operational Risk Control Guidelines to ensure a consistent approach to managing safety risks globally. The Company monitors and reports on occupational injuries, as well as conducts investigations into their causes in order to prevent them in the future.

In addition to the above, Sustainalytics notes that it has not found evidence of major controversies related to Goodman. Overall, Sustainalytics considers that the Goodman Group has strong management programmes and policies to mitigate risks that are material to the Group's sub-industry.

## Section 3: Impact of the SPTs

### Importance of reducing GHG emissions for the real estate sector

In 2020, the real estate sector accounted for 30% of the global energy consumption and 30% of energy-related CO<sub>2</sub> emissions.<sup>36</sup> The materials used in construction, as well as the heating, cooling, and lighting of buildings and infrastructure, are the primary sources of these emissions.<sup>36</sup> According to the UN Environment Programme (UNEP), the energy intensity per unit of floor area must be improved globally by 30% relative to 2015 levels in order to limit global warming to 1.5°C or below in line with the Paris Agreement.<sup>37</sup> Similarly, to meet the net-zero carbon building stock by 2050, GHG emissions from buildings would need to

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<sup>27</sup> Goodman Group, "Goodman Group Task Force on Climate-related financial Disclosures (TCFD)", (2021) at: [https://www.goodman.com/-/media/files/sites/global/who-we-are/corporate-governance/policies/gmg\\_o\\_tcf\\_d\\_statement\\_201102.pdf](https://www.goodman.com/-/media/files/sites/global/who-we-are/corporate-governance/policies/gmg_o_tcf_d_statement_201102.pdf)

<sup>28</sup> Ibid.

<sup>29</sup> Goodman Group, "Diversity and inclusion policy", at: <https://www.goodman.com/-/media/files/sites/global/who-we-are/corporate-governance/policies-2021/diversity-and-inclusion.pdf>

<sup>30</sup> Goodman Group, "Anti-bribery and corruption policy", at: <https://www.goodman.com/-/media/files/sites/global/who-we-are/corporate-governance/policies-2021/anti-bribery-and-corruption.pdf>

<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

<sup>33</sup> Ibid.

<sup>34</sup> Goodman Group, "Biodiversity", at: <https://nl.goodman.com/en/sustainability/biodiversity>

<sup>35</sup> Goodman Group, "Goodman Global Safety Framework" at: [https://www.goodman.com/-/media/files/sites/global/who-we-are/corporate-governance/policies/gmg\\_o\\_safety\\_statement\\_170713.pdf](https://www.goodman.com/-/media/files/sites/global/who-we-are/corporate-governance/policies/gmg_o_safety_statement_170713.pdf)

<sup>36</sup> IEA, "World Energy Output Special Report: Buildings, (2020)", at: <https://www.iea.org/reports/sustainable-recovery/buildings#abstract>

<sup>37</sup> UNEP, "Global Status Report 2017", at: [https://www.worldgbc.org/sites/default/files/UNEP%20188\\_GABC\\_en%20%28web%29.pdf](https://www.worldgbc.org/sites/default/files/UNEP%20188_GABC_en%20%28web%29.pdf)

decline by around 50% by 2030.<sup>38</sup> Furthermore, considering the lifespans of buildings, the Intergovernmental Panel on Climate Change (IPCC) has stressed that without the implementation of ambitious policies to improve efficiency in the built environment on a global scale, we risk locking-in carbon-intensive activities for several decades.<sup>39</sup> As such, the building sector offers one of the largest cost-effective GHG mitigation potential, delivering savings and economic gains through the implementation of existing technologies, building design, and sound policy development.

From an Australian perspective, in 2019, the real estate sector and buildings accounted for 25% of its total GHG emissions and over 50% of the nation’s electricity use, respectively.<sup>40,41</sup> As per Australia’s emissions projections 2021 report, the services, buildings and transportation sector will remain one of the biggest contributors to energy-related emissions, generating 24 Mt CO<sub>2</sub>e in 2030.<sup>42</sup> In its recent efforts to achieve its 2015 Paris Agreement commitments, the Australian Government (the “Government”) published Australia’s Long Term Emissions Reduction Plan (the “Plan”) in 2021, committing to achieve net zero emissions by 2050.<sup>43</sup> The Plan suggests that the real estate sector must have nearly 100% decarbonization by improving energy efficiency of appliances, equipment and lighting, and increasing the use of renewable energy (especially for solar photovoltaic) and battery storage for both new and existing stocks.<sup>44</sup> The Government also implemented relative policies and measures such as (i) The Greenhouse and Energy Minimum Standards Bill 2012, an act to promote the development and adoption of appliances and equipment to reduce energy use and greenhouse gas production; and (ii) The Commercial Building Disclosure Program, a regulatory program which requires any commercial office spaces that have more than 1000 square metres to provide energy efficiency information.<sup>45</sup> According to the Low Carbon, High Performance report, it indicates that proper energy efficiency measures in buildings could help Australia save AUD 200 billion in energy bills and help Australia to achieve over 25% of the nation’s 2030 emissions reduction target.<sup>46</sup>

Sustainalytics is of the opinion that Goodman’s commitment to reducing its scope 1 and 2 GHG emissions in line with the 1.5°C Paris Agreement scenario as validated by the Science Based Targets initiative (SBTi) can contribute to not only the company’s sustainability goals but also towards the decarbonization of the real estate sector globally.

**Alignment with/contribution to SDGs**

The Sustainable Development Goals were adopted by the United Nations General Assembly in September 2015 and form part of an agenda for achieving sustainable development by the year 2030. The sustainability-linked bonds issued under the Framework are expected to help advance the following SDG goals and targets:

KPI	SDG	SDG Target
Absolute scope 1 and 2 GHG emissions (tCO <sub>2</sub> e)	7. Affordable and clean energy  9. Industry, Innovation and Infrastructure	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix  9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

<sup>38</sup> UNEP, “Building Sector Emission hit record high, but low-carbon recovery can help transform sector-UN report”, at: <https://www.unep.org/news-and-stories/press-release/building-sector-emissions-hit-record-high-low-carbon-pandemic>

<sup>39</sup> IPCC, “Mitigation of Climate Change”, at: [https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc\\_wg3\\_ar5\\_chapter9.pdf](https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter9.pdf)

<sup>40</sup> The Conversation, “Buildings produce 25% of Australia’s emissions. What will it take to make them ‘green’ – and who’ll pay”, (2019), at: <https://theconversation.com/buildings-produce-25-of-australias-emissions-what-will-it-take-to-make-them-green-and-wholl-pay-105652>

<sup>41</sup> Every Buildings Counts, “Every Building Counts: A Practical Plan For Emissions Reduction”, at: [https://www.everybuildingcounts.com.au/?\\_hstc=213300875.ad4c658b91d2a6996775be124678f640.1649499325791.1649499325791.1649499325791.1&\\_hssc=213300875.1.1649499325791&\\_hsfp=64884483](https://www.everybuildingcounts.com.au/?_hstc=213300875.ad4c658b91d2a6996775be124678f640.1649499325791.1649499325791.1649499325791.1&_hssc=213300875.1.1649499325791&_hsfp=64884483)

<sup>42</sup> Australian Government – Department of Industry, Science, Energy and Resources, “Australia’s emissions projections 2021”, (2021), at: [https://www.industry.gov.au/sites/default/files/October%202021/document/australias\\_emissions\\_projections\\_2021\\_0.pdf](https://www.industry.gov.au/sites/default/files/October%202021/document/australias_emissions_projections_2021_0.pdf)

<sup>43</sup> Minister for Industry, Energy and Emissions Reduction, “Australia’s plan to reach our net zero target by 2050”, (2021), at: <https://www.minister.industry.gov.au/ministers/taylor/media-releases/australias-plan-reach-our-net-zero-target-2050>

<sup>44</sup> Property Council of Australia, “Towards net zero”, (2021), at: <https://info.propertycouncil.com.au/property-australia-blog/towards-net-zero>

<sup>45</sup> Australian Government, “Australia’s Long-Term Emissions Reduction Plan: A whole-of-economy Plan to achieve net zero emission by 2050”, (2021), at: <https://www.industry.gov.au/sites/default/files/October%202021/document/australias-long-term-emissions-reduction-plan.pdf>

<sup>46</sup> Australian Sustainable Built Environment Council (ASBEC), “Low Carbon, High Performance: How buildings can make a major contribution to Australia’s emissions and productivity goals”, (2016), at: <https://www.asbec.asn.au/wordpress/wp-content/uploads/2016/05/160509-ASBEC-Low-Carbon-High-Performance-Full-Report.pdf>

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## Conclusion

Goodman intends to issue sustainability-linked bonds tying the coupon rate to achievement of the following SPT:

- Reduce absolute scope 1 and 2 GHG emissions, expressed as a percentage, by 2030 from a 2021 baseline, in line with 1.5°C Paris Agreement scenario pathway, as validated by SBTi.

Sustainalytics considers the KPI - Absolute scope 1 and 2 GHG emissions (tCO<sub>2</sub>e), to be adequate based on its materiality, relevance, scope of applicability and adequacy to external benchmarking. Sustainalytics further considers the SPT to be highly ambitious based on the improvement it presents over historical performance, alignment with peers, and alignment with science-based targets.

Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Based on the above, Sustainalytics considers the Goodman Group Sustainability-Linked Bond Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2020 and the prospective achievement of the SPT to be impactful.

## Appendix 1: Sustainability-Linked Bonds - External Review Form

### Section 1. Basic Information

**Issuer name:** Goodman Group

**Sustainability-Linked Bond ISIN:**

**Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3):** Sustainalytics

**Completion date of second party opinion pre-issuance:** April 26, 2022

**Independent External Review provider's name for post-issuance verification (section 4):**

**Completion date of post issuance verification:**

At the launch of the bond, the structure is:

- a step-up structure  a variable redemption structure

### Section 2. Pre-Issuance Review

#### 2-1 SCOPE OF REVIEW

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

The review:

- assessed all the following elements (complete review)  only some of them (partial review):
- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Selection of Key Performance Indicators (KPIs)           | <input checked="" type="checkbox"/> Bond characteristics (acknowledgment of) |
| <input checked="" type="checkbox"/> Calibration of Sustainability Performance Targets (SPTs) | <input checked="" type="checkbox"/> Reporting                                |
| <input checked="" type="checkbox"/> Verification   |  |
- and confirmed their alignment with the SLBP.

#### 2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification  |
| <input type="checkbox"/> Verification                    | <input type="checkbox"/> Scoring/Rating |

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

#### 2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Goodman intends to issue sustainability-linked bonds tying the coupon rate to achievement of the following SPT: Absolute reduction in scope 1 and 2 GHG emissions in line with the 1.5°C Paris Agreement scenario as validated by the Science Based Targets initiative (SBTi).

Sustainalytics considers the KPI - Absolute scope 1 and 2 GHG emissions (tCO<sub>2</sub>e), to be adequate based on its materiality, relevance, scope of applicability and adequacy to external benchmarking. Sustainalytics further considers the SPT to be highly ambitious based on the improvement it presents over historical performance, alignment with peers, and alignment with science-based targets. Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations. Based on the above, Sustainalytics considers the Goodman Group Sustainability-Linked Bond Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2020 and the prospective achievement of the SPT to be impactful.

**Section 3. Detailed pre-issuance 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.*

**3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)**

**Overall comment on the section (if applicable):** Sustainalytics considers the KPI chosen to be adequate based on given that it is a direct measure of the Group’s emissions, it lends itself to external contextual benchmarking, but is only estimated to cover a very small portion of the Group’s total emissions.

**List of selected KPIs:**

- Absolute scope 1 and 2 GHG emissions (tCO<sub>2</sub>e)

**Definition, Scope, and parameters**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Clear definition of each selected KPIs | <input checked="" type="checkbox"/> Clear calculation methodology |
| <input type="checkbox"/> Other (please specify):                           |   |

**Relevance, robustness, and reliability of the selected KPIs**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Credentials that the selected KPIs are relevant, core and material to the issuer’s sustainability and business strategy. | <input checked="" type="checkbox"/> Evidence that the KPIs are externally verifiable |
| <input checked="" type="checkbox"/> Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis                            | <input checked="" type="checkbox"/> Evidence that the KPIs can be benchmarked        |
|  | <input type="checkbox"/> Other (please specify):                                     |

**3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)**

**Overall comment on the section (if applicable):** Sustainalytics considers the SPT to be highly ambitious based on the improvement it presents over historical performance, alignment with peers, and alignment with science-based targets.

**Rationale and level of ambition**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Evidence that the SPTs represent a material improvement                                  | <input checked="" type="checkbox"/> Credentials on the relevance and reliability of selected benchmarks and baselines |
| <input checked="" type="checkbox"/> Evidence that SPTs are consistent with the issuer’s sustainability and business strategy | <input checked="" type="checkbox"/> Credentials that the SPTs are determined on a predefined timeline                 |
|  | <input type="checkbox"/> Other (please specify):  |

**Benchmarking approach**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Issuer own performance   | <input checked="" type="checkbox"/> Issuer’s peers |
| <input checked="" type="checkbox"/> reference to the science | <input type="checkbox"/> Other (please specify):   |

**Additional disclosure**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> potential recalculations or adjustments description                       | <input checked="" type="checkbox"/> issuer’s strategy to achieve description |
| <input checked="" type="checkbox"/> identification of key factors that may affect the achievement of the SPTs | <input type="checkbox"/> Other (please specify):                             |

**3-3 BOND CHARACTERISTICS**

**Overall comment on the section (if applicable):** Goodman Group will link the sustainability-linked bonds’ financial characteristics to the achievement of the SPT. The change in financial characteristics may trigger a coupon adjustment or a premium payment upon maturity, as applicable, and are to be detailed in the individual transaction documents.

**Financial impact:**

- variation of the coupon
- ...
- Other (please specify):

**Structural characteristic:**

- ...
- ...
- Other (please specify):

**3-4 REPORTING**

**Overall comment on the section (if applicable):** Goodman Group commits to report on its progress toward the SPT on an annual basis on the company’s website, and/or as part of its Sustainability Report. The reporting commitments are aligned with the Sustainability-Linked Bond Principles.

**Information reported:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> performance of the selected KPIs | <input checked="" type="checkbox"/> verification assurance report |
| <input checked="" type="checkbox"/> level of ambition of the SPTs    | <input type="checkbox"/> Other (please specify):                  |

**Frequency:**

- Annual
- Semi-annual
- Other (please specify):

**Means of Disclosure**

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (please specify):
- 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.

**Level of Assurance on Reporting**

- limited assurance
- reasonable assurance
- Other (please specify):

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

**Section 4. Post-issuance verification**

**Overall comment on the section (if applicable):**

**Information reported:**

- limited assurance
- reasonable assurance
- Other (please specify): Certification by an independent reviewer

**Frequency:**

- Annual
- Semi-annual
- Other (please specify):

**Material change:**

- Perimeter
- KPI methodology
- SPTs calibration

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 25 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 800 staff members, including more than 300 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

Or contact us [contact@sustainalytics.com](mailto:contact@sustainalytics.com)

