

# Macquarie University

**Type of Engagement:** Annual Review

**Date:** October 18, 2022

**Engagement Team:**

Manali Vaidya, manali.vaidya@morningstar.com

Ashok Yashwant, ashok.yashwant@morningstar.com

## Introduction

In 2018 and 2019, Macquarie University (MQU) issued four sustainability bonds aimed at financing green projects such as the construction and refurbishment of green buildings and rehabilitation of the creek on MQU's campus, as well as social projects such as the capacity expansion of endoscopy clinic and health clinic at MQU to improve access to health care services. In September 2022, MQU engaged Sustainalytics to review the projects funded with proceeds from the issued sustainability bonds and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Macquarie University Sustainability Financing Framework (the "Framework"). Sustainalytics provided a Second-Party Opinion on the Framework in August 2018.<sup>1</sup>

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from 2018 to 31 August 2022 based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Macquarie University Sustainability Financing Framework and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds category outlined in the Macquarie University Sustainability Financing Framework.

Table 1 lists the Use of Proceeds categories, Eligibility Criteria and associated KPIs.<sup>2</sup>

**Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs**

Use of Proceeds Category	Eligibility Criteria	KPIs
Green Buildings	<ul style="list-style-type: none"> <li>• New construction or renovation of existing buildings that follow strong Ecologically Sustainable Design (ESD) Principles<sup>3</sup></li> <li>• New construction or renovation of existing buildings that have or will receive any one of the following certifications and ratings or demonstrate equivalent performance:               <ul style="list-style-type: none"> <li>○ National Australian Built Environment Rating System (NABERS) – minimum 4.5 Star or above</li> <li>○ Green Building Council of Australia (GBCA) Green Star – minimum 5 Star or above</li> <li>○ For renovations or upgrades of existing buildings, deliver a minimum 30% reduction in carbon emissions intensity</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Green or equivalent certifications obtained</li> <li>• ESD principles scorecard</li> <li>• Materials sourced sustainably (including certified products, recycled content) (%)</li> </ul>

<sup>1</sup> Macquarie University's Sustainability Financing Framework and Sustainalytics' Second Party Opinion on the Framework are on Macquarie University website at: <https://staff.mq.edu.au/support/office-and-property-services/property-services/property-planning-and-management>

<sup>2</sup> The Framework defines five green use of proceeds categories and two social use of proceeds categories. MQU allocated proceeds to two green categories and one social category: Green Buildings, Environmentally Sustainable Management of Living Natural Resources and Land Use, and Access to Essential Services.

<sup>3</sup> The ESD Principles Scorecard ensures that design initiatives have been included to provide a 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.

	<ul style="list-style-type: none"> <li>○ Any other good green design label that can be demonstrated to be equal or better than above</li> <li>● Procurement of sustainably sourced building materials, including certified products (such as FSC timber) or products containing recycled content (such as concrete and glass)</li> </ul>	
<b>Environmentally Sustainable Management of Living Natural Resources and Land Use</b>	<ul style="list-style-type: none"> <li>● Preservation or restoration of natural landscapes, including biodiversity conservation and wetland projects such as the Mars Creek and Bushcare programmes</li> <li>● Facilities and infrastructure or upgrades that contribute to research programmes that contribute to the conservation of oceans, seas and marine reserves; the protection, restoration and sustainable use of ecosystems; or the reduction and reversal of land degradation and biodiversity such as the Biological Science Research Facility</li> </ul>	<ul style="list-style-type: none"> <li>● Amount of land covered by open space (in hectares and percentage of total land)</li> <li>● Amount of land covered by trees, plants, shrubs, etc. (in hectares and percentage of total land)</li> <li>● Number of trees planted</li> <li>● Avoidance or reduction of biodiversity loss (in number of species)</li> <li>● Quality enhancement of soil, land or water through management practices associated with land-use-specific projects</li> <li>● For new builds and upgrades: number of research programmes contributing to the protection, restoration and sustainable use of ecosystems and forests; and the halting or reversal of land degradation and biodiversity loss</li> <li>● For new builds and upgrades: number of research programmes contributing to the conservation and sustainable use of oceans, seas and marine resources</li> </ul>
<b>Access to Essential Services</b>	<ul style="list-style-type: none"> <li>● New buildings and upgrades to facilities providing clinical care</li> <li>● Expenditure to support access to facilities and services that are disability- and gender-sensitive and provide safe, non-violent, inclusive and effective learning environments for all</li> <li>● Enhance capacity for scientific research, including upgrading technological capabilities, to ensure universal access across campus and encourage innovation and research and development</li> </ul>	<ul style="list-style-type: none"> <li>● Number of people reached with new or improved healthcare facilities</li> <li>● Proportion of campus covered by a reliable WiFi network or technological upgrades to improve learning outcomes</li> <li>● Number of new or upgraded facilities that are disability- and gender-sensitive and provide safe, non-violent, inclusive and effective learning environments for all</li> </ul>

### Issuing Entity’s Responsibility

MQU is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including the description of projects, amounts allocated and project impact.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of MQU’s Sustainability Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from MQU employees and review of documentation to confirm the conformance with the Macquarie University Sustainability Financing Framework.

Sustainalytics has relied on the information and the facts presented by MQU with respect to the Nominated Projects. Sustainalytics is not responsible, nor shall it be held liable, if any of the opinions, findings or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by MQU.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>4</sup> nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through the proceeds of MQU’s Sustainability Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Macquarie University Sustainability Financing Framework. MQU has disclosed to Sustainalytics that from the four bonds that MQU issued, the proceeds of the first two bonds were fully allocated as of 27 May 2019, proceeds of the third bond were fully allocated as of 26 July 2022, and the proceeds of the fourth bond were fully allocated as of 25 May 2021.

## Detailed Findings

**Table 2: Detailed Findings**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the sustainability bonds from 2018 to August 2022 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Macquarie University Sustainability Financing Framework and above in Table 1	All projects reviewed complied with the Use of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded by the sustainability bonds from 2018 to 2022 to determine if the impact of projects was reported in line with the KPIs outlined in the Macquarie University Sustainability Financing Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

<sup>4</sup> Sustainalytics’ limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including the description of projects; the estimated and realized costs of projects; and the project impact, as provided by MQU. MQU is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Appendices

### Appendix 1: Allocation Reporting by Eligibility Criteria

As of 31 August 2022, MQU had allocated 100% of the net proceeds as follows: i) AUD 479.3 million (95.9% of proceeds) in the Green buildings category, ii) AUD 7.7 million (1.5% of proceeds) in the Environmentally Sustainable Management of Living Natural Resources and Land Use category, and iii) AUD 13 million (2.6% of proceeds) in the Access to Essential Services category.

The table below provides a detailed breakup of allocation of the net proceeds.

**Table 3: Allocation Reporting**

Use of Proceeds Category	Projects	Amount allocated (AUD million)
Green Buildings	MUCCP stages 2, 4 and 5	252.3 <sup>5</sup>
	Law Building	73
	Engineering and astronomy	127
	MUCCP Stage 6a.2	27
Environmentally Sustainable Management of Living Natural Resources and Land Use	MUCCP stage 7	7.7 <sup>6</sup>
Access to Essential Services	Endoscopy clinic	12
	MQ Health Clinic	1
	<b>Total</b>	<b>500<sup>7</sup></b>

<sup>5</sup> MQU confirmed to Sustainalytics that it has allocated a total amount of AUD 252.3 million (USD 167.2 million) to the Lincoln Building, student accommodation in buildings R1 and R2 and 1 Central Courtyard.

<sup>6</sup> MQU confirmed to Sustainalytics that it has allocated a total amount of AUD 7.7 million (USD 5.1 million) to the Mars Creek Rehabilitation project.

<sup>7</sup> Out of AUD 500 million (USD 332 million) allocated, MQU has funded AUD 317.1 million (USD 210.3 million) as of 31 August 2022.

## Appendix 2: Impact Reporting by Eligibility Criteria

Table 4: Impact Reporting

Use of Proceeds Category	Impact reported <sup>8</sup> (As at 31 August 2022) <sup>9</sup>
Green Buildings	<p><b>Macquarie University Central Courtyard Precinct (MUCCP) Stage 4 - Lincoln Building:</b></p> <ul style="list-style-type: none"> <li>Description: This includes major refurbishment of 3 levels of workplace accommodation and provision of 6 new retail spaces.</li> <li>Status: Operational since July 2020. Defects liability period<sup>10</sup> was completed as at 13 August 2021.</li> <li>Impact indicator: 5 Star Green Star (GBCA) – Design &amp; As Built v1.2 rating tool (Australian Excellence)</li> </ul>
	<p><b>MUCCP Stages 2 &amp; 5a -1 Central Courtyard:</b></p> <ul style="list-style-type: none"> <li>Description: This is a new construction consisting of formal and informal learning and teaching spaces, graduation hall and food and beverage retail spaces</li> <li>Status: Operational since February 2021. Defects liability period was completed as at 14 February 2022.</li> <li>Impact indicator: 5 Star Green Star (GBCA) – Design &amp; As Built v1.2 rating tool (Australian Excellence)</li> </ul>
	<p><b>MUCCP Stage 5b - Student Accommodation Buildings R1 &amp; R2:</b></p> <ul style="list-style-type: none"> <li>Description: This is a new construction including residential student accommodation spread across two buildings (with common podium) with a 342-bed capacity.</li> <li>Status: Operational since February 2021. Defects liability period was completed as at 22 January 2022.</li> <li>Impact indicator: 5 Star Green Star (GBCA) – Design &amp; As Built v1.2 rating tool (Australian Excellence)</li> </ul>
	<p><b>Michael Kirby Law Building:</b> 5 Star Green Star (GBCA) – Design &amp; As Built v1.3 rating tool (Australian Excellence)</p> <ul style="list-style-type: none"> <li>Description: This is an expansion of 17 Wally's Walk to accommodate the needs of MQ Law School.</li> <li>Status: Construction of the Law School commenced in May 2022 and it is still under construction</li> <li>Impact indicator: 5 Star Green Star (GBCA) – Design &amp; As Built v1.3 rating tool (Australian Excellence)</li> </ul>
	<p><b>School of Engineering and Australian Astronomical Optics Building:</b></p> <ul style="list-style-type: none"> <li>Description: This is a new construction of a multi-disciplinary building for engineering and astronomy.</li> </ul>

<sup>8</sup> MQU has communicated to Sustainalytics the details related to status of projects and impact of each project which are included in Table 4: Impact Reporting.

<sup>9</sup> MQU has reported, in 2021, on the impact for MUCCP Stage 4, which includes the Lincoln Building; student accommodation in buildings R1 and R2 and 1 Central Courtyard; the Mars Creek Rehabilitation project; the Endoscopy Clinic; and the MQ Health Clinic. However, the status of these projects has changed over the year and therefore a part of the Annual Review Letter.

<sup>10</sup> During the defects liability period the builder is liable for any building defects found after the building works have been completed and before the building (or area within the building) is handed back to the University.

	<ul style="list-style-type: none"> <li>• Status: At concept design stage<sup>11</sup></li> <li>• Impact indicator: 5 Star Green Star (GBCA) – Green Star Buildings V1 rating tool (Australian Excellence)</li> </ul> <p><b>MUCCP Stage 6a.2 - 18 Wally's Walk:</b></p> <ul style="list-style-type: none"> <li>• Description: This is a refurbishment of multiple levels of Macquarie University's original library building.</li> <li>• Status: Defects Liability Period is expected to commence in October 2022.<sup>12</sup></li> <li>• Impact indicator: 5 Star Green Star (GBCA) Interiors v1.3<sup>13</sup> rating tool (Australian Excellence)</li> </ul>
<p><b>Environmentally Sustainable Management of Living Natural Resources and Land Use</b></p>	<p><b>MUCCP Stage 7 – Mars Creek Rehabilitation works:</b></p> <ul style="list-style-type: none"> <li>• Description: Rehabilitation of Mars Creek Reach 3 focuses on ameliorating the habitat 'truncations' from previous hard engineering works originating in the 1960s. This project includes 'daylighting' or opening up a section of creek that was piped in a subterranean stormwater system for more than 50 years.</li> <li>• Status: Operational since May 2020. Defects liability period was completed as at 12 February 2022.</li> <li>• Impact indicator: The project has created a new naturalised surface channel through a section of the original creek bed which reinstates the riparian zone of approximately 20 metres in width. Additional habitat features include a re-made culvert inlet that will offer native freshwater eels a new migration route from their existing habitat in the university's lake, to the rehabilitated upper reaches of Mars Creek. MQU has confirmed to Sustainalytics that the rehabilitation also achieved the following: i) 60% increase in tree canopy and native plants on the creek landscape since 2018, ii) 90% reduction in gross pollutants in Mars creek outflow as compared to 2018 levels, and iii) 80% reduction in total suspended solids in Mars Creek outflow as compared to 2018 levels.</li> </ul>
<p><b>Access to Essential Services</b></p>	<p><b>Endoscopy Clinic at Macquarie University Hospital:</b></p> <ul style="list-style-type: none"> <li>• This includes fit-out and refurbishment within the Macquarie University Hospital to expand and enhance the capacity and capability of Endoscopy.</li> <li>• Status: Operational since December 2021</li> <li>• Impact indicator: Refurbishment of the endoscopy clinic increased patient capacity by 50% and provided equipment for over 5000 diagnostic and therapeutic specialist procedures. 4729 patients were admitted in the refurbished endoscopy clinic between December 2021 and August 2022.</li> </ul> <p><b>MQ Health Clinic at Trafalgar Place:</b></p> <ul style="list-style-type: none"> <li>• Fit-out and refurbishment of tenancy to accommodate MQ Health Clinic to expand the capacity and outreach of General Practitioner health services to the community.</li> <li>• Status: Operational since November 2020. Defects liability period was completed as at November 2022.</li> <li>• Impact indicator: Increased capacity of consulting rooms by 40% and treatment rooms by 100% which allow up to approximately 20,000 patient</li> </ul>

<sup>11</sup> MQU has confirmed to Sustainalytics that the master plan design of the Engineering and Australian Astronomical Optics Building was completed in September 2021, and the concept and design stage started in March 2022.

<sup>12</sup> MQU has communicated to Sustainalytics that project Wally's Walk is in a defects liability period.

<sup>13</sup> MQU has communicated a revision in the 5 Star Green Star (GBCA) tool reported for 18 Wally's Walk in 2021. The refurbishment of 18 Wally's Walk involved approximately 90% of the internal fit-out of the existing building with minimum façade work. Thus, this project is certified with 5 Star Green Star (GBCA) Interiors v1.3 and not with 5 Star Green Star (GBCA) – Design & As Built v1.2 rating tool as reported earlier.

---

	visitations annually. The clinic reported 14,978 health check-ups, including face to face and telephone consultation, between September 2021 and August 2022.
--	---

## Disclaimer

**Copyright ©2022 Sustainalytics. All rights reserved.**

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

## About Sustainalytics, a Morningstar Company

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 30 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 1500 staff members, including more than 500 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)

