



THE UNIVERSITY OF  
MELBOURNE

# The University of Melbourne

## Sustainability Financing Framework

15 July 2022

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# 1. Introduction to The University of Melbourne

## 1.1. Overview

Founded in 1853, the University of Melbourne (“UoM” or the “University”) is Australia’s second oldest university and its main campus is located in Parkville, inner suburb of Melbourne, with several other campuses located across Victoria.

The University of Melbourne’s enduring purpose is to benefit society through the transformative impact of education and research and is committed to being one of the finest universities in the world. The University measures its success by the goals articulated in the University’s 2030 institutional strategic plan, Advancing Melbourne, and supporting plans such as the Sustainability Plan 2030 (“the Plan”).

Advancing Melbourne is structured according to five intersecting themes which represent key focus areas over the next decade: place, community, education, discovery and global.

By 2030, the University of Melbourne will:

- Offer students a distinctive and outstanding education and experience, preparing them for success as leaders, change agents and global citizens.
- Be recognised locally and globally for our leadership on matters of national and global importance, through outstanding research and scholarship and a commitment to collaboration.
- Be empowered by our sense of place and connections with communities. We will take opportunities to advance both the University and the city of Melbourne in close collaboration and synergy.
- Deliver this through building a brilliant, diverse and vibrant university community, with strong connections to those we serve.

## 1.2. Sustainability Strategy, Initiatives, and 2030 Aspiration

Following its vision, the University of Melbourne is committed to demonstrating leadership for a global sustainable future and a commitment to its people, partners, and place in the world.

As a public-spirited, globally connected research and teaching institution, the University has the opportunity to contribute to the growth of sustainability knowledge and practice, to lead and engage public debate, and to lead by example through its campus operations and stewardship of its campus landscapes.

The University’s Sustainability Plan 2030 provides a roadmap for delivering on the commitments of its Sustainability Charter<sup>1</sup>, aligned to the goals of its 2030 Advancing Melbourne institutional strategy.

Sustainability at the University of Melbourne is governed by the University’s Sustainability Framework, comprising three elements: the Sustainability Charter<sup>2</sup>, the Plan<sup>3</sup>, and Annual Report<sup>4</sup>.



<sup>1</sup> The University’s Sustainability Charter is a one-page statement of enduring obligations and commitments regarding sustainability. It was first published in 2016 and used to guide the development of the *Sustainability Plan 2017 – 2020* and more recently the *Sustainability Plan 2030*. A copy of the Charter can be found on page 11 of the *Sustainability Plan 2030*.

<sup>2</sup> [https://about.unimelb.edu.au/data/assets/pdf\\_file/0026/283355/UoM\\_Sustainability-Charter\\_Feb\\_18.pdf](https://about.unimelb.edu.au/data/assets/pdf_file/0026/283355/UoM_Sustainability-Charter_Feb_18.pdf)

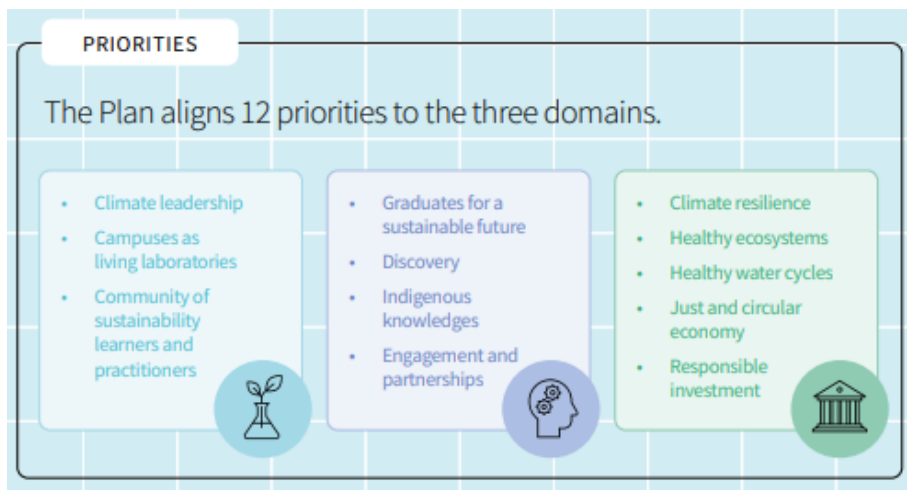
<sup>3</sup> [https://about.unimelb.edu.au/data/assets/pdf\\_file/0020/346214/Sustainability-Plan-2030.pdf](https://about.unimelb.edu.au/data/assets/pdf_file/0020/346214/Sustainability-Plan-2030.pdf)

<sup>4</sup> <https://about.unimelb.edu.au/priorities-and-partnerships/sustainability/framework/reports>

The Sustainability Plan’s three domains describes the University’s strategic approach to accelerating society’s transition to sustainability.



The three domains encompass twelve priorities, with each priority defined by an aspiration from the vantage point of 2030, targets and indicators of performance.



These targets will be achieved via action plans owned and implemented by relevant parts of the University. Governance will be via the Chief Operating Officer, supported by a Sustainability Advisory Group whose members are sourced from across all parts of the University.

The decision to raise sustainable financing was motivated by a long-term undertaking to embed environmental and social considerations in process and practices across core business activity areas, whilst also delivering on the University’s stated vision.

The Plan’s alignment and contribution to each of the Sustainable Development Goals (“SDGs”), as reported annually, further ensures that the University of Melbourne’s Sustainability Financing Framework supports and builds upon the University’s commitment to be certified carbon neutral by 2025 and achieve climate positive status by 2030 (as outlined in the Plan) and propels the University’s global leadership in the sector towards achieving a sustainable future.

## 2. The University of Melbourne’s Sustainability Financing Framework

### 2.1. Framework Overview

The University of Melbourne’s Sustainability Financing Framework (the “Framework”) has been developed to demonstrate how the University intends to enter into Green, Social or Sustainability (“GSS”) transactions with proceeds earmarked to finance, or refinance, projects, assets and expenditures that will deliver positive environmental and/or social outcomes to support the University’s strategy, vision and purpose.

Financing may include instruments such as bonds and loans, and other forms of debt financing with structures tailored to contribute towards sustainable development by earmarking the proceeds to projects/assets or expenditure that fall within the Eligible Categories as defined within this Framework.

The University of Melbourne is considering the issuance of Green Bonds and/or Social/Sustainability Bonds under the Framework. Bonds issued under the Framework will be aligned, as appropriate for the type of bond issued, with the International Capital Markets Association (“ICMA”) principles<sup>5</sup>: the 2021 Green Bond Principles (“GBP”), 2021 Social Bond Principles (“SBP”) and 2021 Sustainability Bond Guidelines (“SBG”), or as they may subsequently be updated.

Loans issued under this Framework will be aligned with the Loan Market Association / Asia Pacific Loan Market Association / Loan Syndications and the Trading Association 2021 Green Loan Principles<sup>6</sup> (“GLP”) and the Social Loan Principles (“SLP”), or as they may subsequently be amended. Should the loan be used for projects that deliver green and/or social benefits, the loan will be labelled as a Green, Social or Sustainability (“GSS”) loan.

Other GSS transactions may conform to other sustainable finance principles in the future.

GSS transactions do not place restriction on the tenor nor currency and can include other terms and conditions, including covenants, to reflect the financing strategy and plans of the University as well as the outcome of the commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender.

GSS transactions may be executed in any jurisdiction and market reflecting the University’s current and future organisational needs.

For each GSS transaction, the University of Melbourne asserts that it will adopt the following core components of the GBP, SBP, SBG, GLP and SLPs:

1. Use of proceeds;
2. Process for project evaluation and selection;
3. Management of proceeds; and
4. Reporting

The Framework also covers the External Review.

The Framework will be in force as long as there are live GSS transactions. The University may update the Framework and commits that any new version will keep or improve the current level of transparency and reporting. The University commits to communicate material changes with all stakeholders/investors via the University’s official website.

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<sup>5</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

<sup>6</sup> Green Loan Principles - LSTA





## 2.2. Use of Proceeds

The net proceeds of the GSS transactions will be used to finance or refinance, in whole or in part, new or existing Eligible Green Project Categories and Eligible Social Project Categories (“Eligible Project Categories”).








The proceeds of a Green Bond/Loan issued under this Framework will be applied to projects/assets that fall under the Eligible Green Project Categories set out in Section 2.2.1.

The proceeds of a Social or Sustainability Bond issued under this Framework will be applied to projects/assets that fall under the Eligible Social Project Categories set out in Sections 2.2.2. and 2.2.3 respectively.

### 2.2.1. Eligible Categories - Green

Eligible Categories	Alignment with the SDGs	Eligible Projects / Assets
<b>Green Buildings (New Builds)</b>	 	<ul style="list-style-type: none"> <li>▪ New construction of buildings and/or tenant engagement initiatives, that will reduce building environmental impact in accordance with any one of the following certification systems:               <ul style="list-style-type: none"> <li>- National Australian Built Environment Rating System (“NABERS”) – minimum 5 Star or above; or</li> <li>- Green Building Council of Australia (“GBCA”) Green Star – minimum 5 Star or above; or</li> <li>- Any other green building label, that is an equivalent standard of the above.</li> </ul> </li> <li>▪ Procurement of sustainably sourced construction materials - including certified products (such as FSC timber, GECA or GreenTag certified products), or products containing recycled content (such as concrete, glass).</li> </ul>
<b>Green Buildings (Upgrades and / or Energy Efficiency)</b>	 	<ul style="list-style-type: none"> <li>▪ Renovation of existing buildings that have or will receive, refurbishment and/or tenant engagement initiatives, that will reduce building environmental impact in accordance with, any one of the following certification systems:               <ul style="list-style-type: none"> <li>- NABERS – minimum 5 Star or above; or</li> <li>- GBCA Green Star – minimum 5 Star or above; or</li> <li>- Any other green building label, that is an equivalent standard of the above.</li> </ul> </li> <li>▪ Procurement of sustainably sourced construction materials - including certified products (such as FSC timber, GECA or GreenTag certified products), or products containing recycled content (such as concrete, glass).</li> <li>▪ Projects that will achieve a minimum of 20% energy efficiency improvements, compared to relevant benchmarks (e.g. existing equipment or external benchmarks), in the areas of:               <ul style="list-style-type: none"> <li>- Adoption of smart technologies and/or systems for optimising energy management in new and existing buildings such as lighting, replacing air-cooled air-conditioning with water cooling;</li> <li>- Energy efficiency improvements in projects based on third-party assessment, that results in at least a 20% improvement in energy efficiency when compared to relevant benchmarks; and/or</li> <li>- Upgrades to existing projects that will result in at least a 20% improvement in energy efficiency when compared against the projects overall energy consumption.</li> </ul> </li> </ul>
<b>Renewable Energy</b>	 	<ul style="list-style-type: none"> <li>▪ Development and or operation and maintenance of:               <ul style="list-style-type: none"> <li>- Renewable energy production plants, including solar PV, wind and Bioenergy (such as biomass, biogas and biofuels);</li> </ul> </li> <li>▪ Projects that replace the use of fossil fuels with renewable energy alternatives, for example:               <ul style="list-style-type: none"> <li>- Replacing gas-fired space and water heating with electric powered heat pumps linked to on or off-site renewable energy generation.</li> </ul> </li> </ul>

### 2.2.2. Eligible Categories - Social

Eligible Categories	Alignment with the SDGs	Eligible Projects / Assets Example Use of Proceeds	Target Population
<p><b>Access to Essential Services (Tertiary Education, Medical Care, Research)</b></p>	  	<ul style="list-style-type: none"> <li>▪ New buildings and upgrades to facilities and resources 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; and/or</li> <li>▪ Facilities and resources that improve the quality and accessibility of education for target populations</li> </ul>	<p>Target population including:</p> <ul style="list-style-type: none"> <li>▪ Excluded and/or marginalised populations and/or communities, including First Nations people;</li> <li>▪ Women and/or sexual and gender minorities;</li> <li>▪ People with disabilities;</li> <li>▪ Underserved, owing to lack of quality access to essential goods and services (i.e. education)</li> <li>▪ Migrants and/or displaced persons; and</li> <li>▪ Aging populations and/or vulnerable youths.</li> </ul>
<p><b>Socioeconomic Advancement and Empowerment (Tertiary Education, Employment, Research)</b></p>	   	<ul style="list-style-type: none"> <li>▪ Expenditures related to programs and/or facilities that provide opportunity for students to gain relevant skills and knowledge for employment, decent jobs and entrepreneurship;</li> <li>▪ Expenditures related to programs and/or facilities that provide opportunity for learners to acquire the knowledge and skills needed to promote sustainability and related education, including sustainable lifestyles, human rights, gender equality, promotion of peace and non-violence, global citizenship and an appreciation of cultural diversity and inclusion;</li> <li>▪ Scholarship programs that aim to address equality issues, including persons with disabilities, First Nations/Indigenous Peoples and disadvantaged students;</li> <li>▪ Expenditures to support infrastructure improvements that contribute to providing access to safe, accessible and low-carbon transport systems such as bike hubs; and/or</li> <li>▪ Expenditure to ensure inclusive, participatory, integrated and sustainable planning and management occurs during new buildings and refurbishment.</li> </ul>	

### 2.2.3. Sustainability Bonds

The proceeds of the University’s Sustainability Bonds issued under the Framework will be applied to projects/assets that meet the Green Bond Eligible Project criteria and Social Bond Eligible Project criteria as set out in Sections 2.2.1 and 2.2.2.

### 2.2.4. Exclusionary Criteria

The University commits to not knowingly direct or invest any proceeds raised from a Green Bond/Loan, Social Bond/Loan and or Sustainability Bond/Loan that may be issued under the Framework, towards companies that derive any revenues from fossil fuel reserves, illegal or nuclear weapons, or the manufacture of tobacco products.

## 2.3. Process for Project Evaluation and Selection

The Project Evaluation and Selection Process will ensure that the proceeds of the University's GSS transactions are earmarked for financing of new or refinancing existing projects/assets that meet the criteria as defined in Section 2.2.

The University will form a Sustainability Financing Working Group ("SFWG") to carry out the evaluation and selection process. The SFWG will consist, at a minimum, of representatives from the University's:

- Treasury Team;
- Sustainability Strategy Team; and
- Property Development Team

As set out in Figure 1, shortlisted projects will be presented to the Chief Financial Officer for approval. If such project is considered as an Eligible Project/Asset in accordance with the Framework, it will be earmarked for the use of proceeds of a GSS transaction under the Framework.



Figure 1: Process for Evaluation and Selection of Eligible Projects for the University

## 2.4. Management of Proceeds

The net proceeds from each GSS transaction will be managed by the University's Finance Team and will be deposited in the University's general funding accounts or the investment portfolio until funds are required. An amount equal to the net proceeds will be earmarked for allocation to Eligible Projects/Assets, in accordance with the Framework.

The University will maintain a register to keep track of the use of proceeds for each GSS transaction. The register will contain the following information including:

### 2.4.1. Type of Funding Transaction

Key information includes issuer/borrower entity, transaction date, number of transactions, principal amount of proceeds, repayment or amortisation profile, maturity date, interest or coupon, and the ISIN number in the case of a bond transaction.

### 2.4.2. Allocation of Use of Proceeds

- Name and description of Eligible Projects/Assets to which the proceeds of the GSS transactions have been allocated in accordance with the Framework;
- Allocation of the proceeds of GSS transactions to Eligible Projects/Assets;
- The balance of unallocated proceeds;



- Information on temporary investment for unallocated proceeds.

The University is committed to allocating all proceeds from GSS transactions to Eligible Projects/Assets on a best efforts basis within two years of the bond or loan issuance in accordance with the evaluation and selection process set out above.

The University will monitor the allocation to Eligible Projects/Assets and track the net proceeds through its internal accounting system.

In the unlikely event that the net proceeds from GSS transactions are not allocated to Eligible Projects/Assets within a certain timeframe, the University will ensure that any unallocated proceeds shall be temporarily:

- Held in cash or cash equivalent instruments with a Treasury function;
- Held in investment instruments compliant with the University's Sustainable Investment Framework<sup>7</sup>;  
or
- Applied to reduce indebtedness of a short term or revolving nature before being redrawn for notional allocation to Eligible Projects/Assets.

During the life of the GSS transactions issued, if the designated projects cease to fulfil the Eligibility Criteria, the net proceeds will be re-allocated to replacement projects/assets that comply with the Eligibility Criteria, as soon as reasonably practicable.

Pending allocation and earmarking, the net proceeds from the GSS transactions will be invested according to the University of Melbourne's Sustainable Investment Framework.

## 2.5. Reporting

The University will report on the allocation of net proceeds and associated impact metrics (where feasible) of its GSS transactions within one year from issuance date and annually thereafter until the proceeds have been fully allocated, and as necessary in the event of material development.

The information will contain at least the following details:

### 2.5.1. Allocation Reporting

The University will provide the following information for the net proceeds of all the GSS transactions during the period:

- The aggregate amount allocated to various Eligible Projects/Assets;
- The remaining balance of funds which have not yet been allocated and type of temporary investment;
- Examples of Eligible Projects/Assets (subject to confidentiality disclosures).

### 2.5.2. Impact Reporting

Where possible, the University will report on the environmental and social impacts associated with the Eligible Projects/Assets funded with the net proceeds of the GSS transactions.

Subject to the nature of Eligible Projects/Assets and availability of information, the University aims to include, but not limited to, Impact Indicators per examples outlined in Appendix 1, where possible.

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<sup>7</sup>[Sustainable Finance and Responsible Investments \(unimelb.edu.au\)](https://www.unimelb.edu.au/sustainable-finance-and-responsible-investments)

### 3. External Review

#### Second Party Opinion (pre-issuance)

The University of Melbourne's Sustainability Financing Framework has been reviewed by DNV Australia, who has issued a Second Party Opinion.

The Second Party Opinion will be made available by the University on its public website<sup>8</sup>.

#### Verification (post-issuance)

The University of Melbourne intends to obtain, on an annual basis, starting one year after issuance, a limited assurance report of the allocation of the GSS transaction proceeds, provided by an external auditor.

### 4. Important Notice

The Framework does not form part of the contractual terms of any GSS instruments. If the University fails to comply with the Framework, fails to satisfy the applicable market standards, or undertakes non-eligible projects outside of the Framework, then in relation to its GSS transactions:

- (1) this does not constitute an event of default, event of review, or any other breach in relation to any Use of Proceeds Instruments; and
- (2) there is no requirement for the University to repay the GSS transaction proceeds as a result of this non-compliance and neither investors nor the University have any right to early repayment as a result of this non-compliance.

This means there is no legal obligation on the University to allocate the proceeds in the manner described in the Framework or to comply with the Framework or the market standards on an ongoing basis. However, as a result, GSS transactions may cease to be labelled as 'Green', 'Social' or 'Sustainability', in which case investors may consider that the GSS transaction no longer aligns with their intentions or requirements and may (as applicable) have increased difficulty in finding interested buyers or obtaining an acceptable price for their GSS transaction holding. The University will disclose if a GSS transaction ceases to be labelled, including within its Annual Sustainability Report.

### 5. Appendix

Appendix 1 – Reporting: Impact Indicators - Examples

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<sup>8</sup>[Sustainable Finance and Responsible Investments \(unimelb.edu.au\)](https://www.unimelb.edu.au/sustainable-finance-and-responsible-investments)

## Appendix 1 – Reporting: Impact Indicators

The University will look to utilise potential environmental and social impact reporting indicators as summarised below and further detailed within the ICMA Green Bond Principles Resource Centre.

<https://www.icmagroup.org/green-social-and-sustainability-bonds/resource-centre/#>

The University will endeavour to report against all indicators of chosen categories but highlights the fact that not all may be applicable to all transactions.

Eligible Categories	Impact Indicators - Examples
<b>Green Buildings (New Builds)</b>	<ul style="list-style-type: none"> <li>▪ Green or equivalent certifications obtained</li> <li>▪ Materials sourced sustainably (including certified products, recycled content) (%)</li> </ul>
<b>Green Buildings (Upgrades and/or Energy Efficiency)</b>	<ul style="list-style-type: none"> <li>▪ Amount of energy saved (kWh) due to good design</li> <li>▪ CO2 and other greenhouse gases (GHGs) avoided/reduced (tCO2e)</li> <li>▪ % reduction of energy usage in buildings (comparatively)</li> <li>▪ Green or equivalent certifications obtained</li> <li>▪ Materials sourced sustainably (including certified products, recycled content) (%)</li> </ul>
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>▪ Alternative energy generated (MW and % of total)</li> </ul>
<b>Access to Essential Services (Tertiary Education, Medical Care, Research)</b>	<ul style="list-style-type: none"> <li>▪ Number of people reached with new and/or improved health care facilities</li> <li>▪ Proportion of campus covered by reliable Wi-Fi network and/or technological upgrades to improve learning outcomes</li> <li>▪ Number of new and/or upgraded facilities that are disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all</li> </ul>
<b>Socioeconomic Advancement and Empowerment (Tertiary Education, Employment, Research)</b>	<ul style="list-style-type: none"> <li>▪ Infrastructure spend on access to safe, accessible and low-carbon transport systems</li> <li>▪ Number of relevant stakeholders participating in planning and management of project implementation</li> <li>▪ Number of people receiving education services through new builds and/or refurbishments</li> </ul>



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