



Acorn Holdings Limited

Green Bond Framework

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ACORN GREEN BOND FRAMEWORK

1. Acorn company structure and sustainability commitment

Acorn Group (“Acorn Group”) is a company in the real-estate sector formed in 2001 to provide project management services across East Africa. In 2006, the company added property development capabilities and begun undertaking its own developments. Acorn became one of the largest and most successful developers in Kenya, having delivered over 50 projects valued in excess of USD 550m. These include some of the most iconic projects in the region over the last decade such as the Coca-Cola Regional Head Office, Deloitte Regional Head Office, Equity Centre, UAP Tower, Nakawa Business Park, Tiara Office Park and Acorn House.

Acorn Holdings (“AHL” or “Acorn”): In 2015, Acorn Holdings Limited was formed together with leading Africa focused private equity firm Helios, and refocused its strategy purely on developing and managing purpose built rental accommodation for young people in Nairobi. AHL is a 50/50 joint venture of Acorn Investments Limited (50%) and Accord Holdco (50%), owned respectively by the original shareholders of Acorn Group, and Helios Investment Partners Limited, one of the largest and most successful Africa focused Private Equity Funds. The joint venture between Acorn and Helios marries Acorn’s extensive local experience of successfully developing Kenya’s marquee properties and Helios’s expertise investing and developing in some of the Africa’s most successful brands. Acorn continues to grow and re-invent itself in the local market, always seeking the most innovative, profitable ways to provide positive and long-term sustainable returns to its co-developers and shareholders.

Acorn has been developing capabilities in youth and student housing and in 2015, made a strategic decision to start with a focus on Purpose-Built Student Accommodation (PBSA). Accomplishments since 2015 include:

- Completed the construction of two buildings within budget and timelines and established operations

- Developed and added to its capabilities by on-boarding key managers from the UK with specific experience in the PBSA industry
- Developed an IT, operational, and marketing platform that can support large scale student accommodation
- Ensured the buildings comply with recognised international life and fire safety standards and international environmental standards
- Filled a critical need for affordable student rental housing in the country

Acorn has grown from a project manager, developer, investor, and now an operator of PBSA. This evolution adheres to its long track record of innovation in the local real estate market. Acorn continuously seeks to improve efforts and activities which contribute to increased sustainability. More specifically, Acorn has made the commitment that all its real-estate developments will be certified under the EDGE (Excellence in Design for Greater Efficiencies) program, which is an innovative green-building certification from the International Finance Corporation (IFC). EDGE aims to help developers reduce their buildings' energy and water consumption by 20 percent while lowering greenhouse-gas emissions. Acorn see the resource efficient, green building designs as an intrinsic part of commercial success and the creation of positive returns to shareholders.

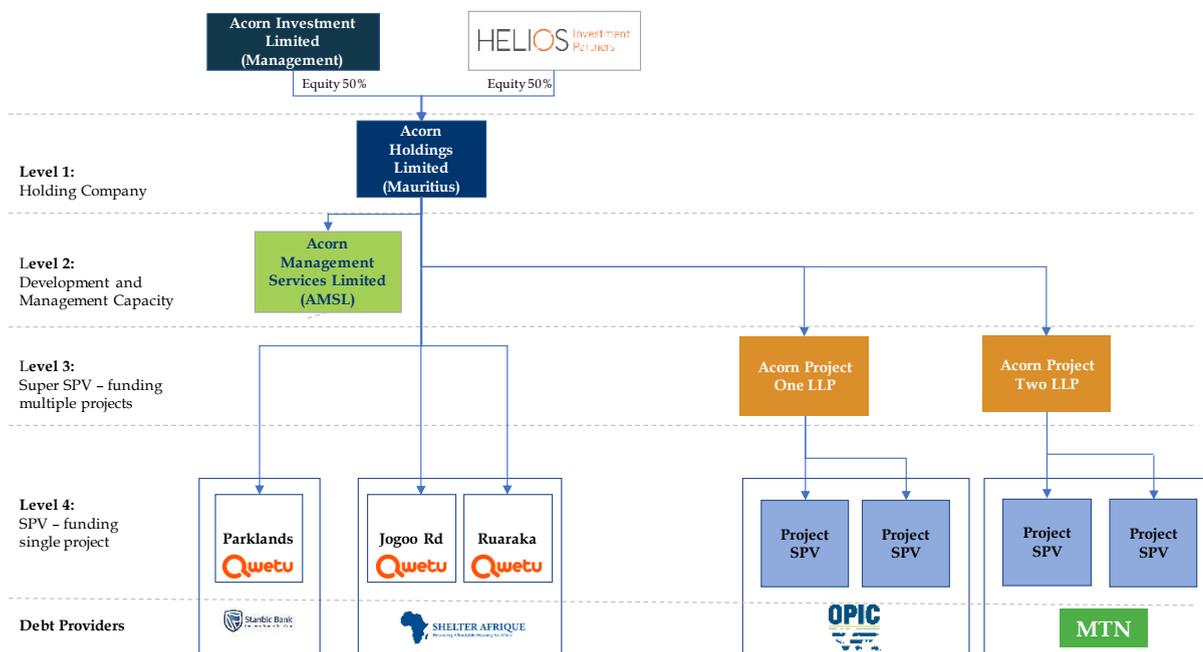
In addition to creating more resource efficient and more affordable housing for the occupants, Acorn's strategy is also filling an important demonstration role in the nascent green building market in Kenya and the East Africa region.

Acorn's corporate structure is comprised of four levels:

1. AHL the parent company and the sponsors of this transaction who beneficially own all the entities, provide the equity in the capital structure and provide a corporate guarantee for the facility.
2. Acorn Management Services Ltd (AMSL):
 - Create and promote brand and management capability around the specific opportunity, in this case the 2 brands for student accommodation, Qwetu (premium brand) and Qejani (mass market brand);

- Acquire, develop (including overseeing the construction) and market the properties;
 - Provide property and asset management to the investment vehicles
3. Acorn Super SPVs (FinCos), which raise funding for the properties in a ring-fenced structure
 4. Acorn project SPVs (DevCos), which own the underlying properties

The group's structure is highlighted below:



The issuing entity of the first Green Bond

The Issuer, Acorn Project Two LLP, is a limited liability partnership established under the laws of Kenya. It was set up in 2018 for the purpose of issuing the Notes under the MTN (Medium Term Note) Programme Transaction.

The Issuer has established five special purpose LLPs, which are wholly owned subsidiaries of the Issuer, to acquire and hold the Properties (and other assets) for the purpose of the Transaction (each a [Project LLP] and together, the [Project LLPs]).

The Acorn sustainability commitment

In alignment with the Acorn sustainability commitment, Acorn Project Two LLP (a fully owned subsidiary and guaranteed by Acorn Holdings Ltd) is planning to issue its first green Medium-Term Note (MTN) Programme of approximately KES 5 billion to fund green buildings certified under EDGE. The MTN will be issued as a Green Bond in compliance with the Climate Bonds Standards as promulgated by Climate Bonds Initiative (CBI), the Green Bond Principles and the Social Bond Principles as promulgated by the International Capital Markets Authority (ICMA).

Given Acorn 's leading presence in the Kenyan student housing market, the intended Green Bond transaction serves as a testament to Acorn 's leadership and commitment to sustainability where all buildings will be undertaken in line with IFC EDGE requirements to achieve a minimum 20% reduction in water consumption, 20% reduction in energy consumption and 20% reduction in embodied energy in materials.

2. Acorn Green Bond Framework

The ICMA Green Bond Principles are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market by clarifying the approach for issuing a green bond. In alignment with the ICMA Green Bond Principles 2017 and the Climate Bonds Standard v 2.1 specifically the Low Carbon Criteria for which EDGE certification serves as a proxy, Acorn's Green Bond Framework is presented through the following key pillars, which will apply to each Green Bond issued:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External review

3. Use of Proceeds

Acorn intends to allocate the net proceeds of the Green Bonds to fund the green certified development of PBSA properties and to make principal and interest payments to Noteholders. The funds raised from this transaction will fund the construction of the Properties as identified:

Project	Size of debt funding (KES)	Expected completion date	Target Final EDGE Certification Date
Qwetu - USIU 3	0.88 billion	November 2020	March 2021
Qwetu - USIU 4	0.74 billion	May 2021	August 2021
Qwetu - Hurlingham Phase 1	0.99 billion	May 2021	August 2021
Qwetu - Nairobi West	0.81 billion	December 2019	March 2020
Qwetu - Chiromo Phase 1	0.97 billion	January 2022	April 2022
Qejani - Sirona Phase 1	0.52 billion	January 2022	April 2022
TOTAL	4.93 billion		

In line with the key focus areas of the IFC EDGE tool, eligible Green Buildings must achieve a minimum 20% reduction in the following key areas, as compared to the baseline:

- **Water efficiency**

Kenya is classified by the United Nations as a chronically water scarce country on the basis of having one of the lowest water replenishment rates at 647 m³ per capita p.a. far below the 1,000 m³ per capita p.a. requirement.

With this in mind, Acorn recognizes the critical need to conserve an already scarce resource to ensure that no section of the population is deprived of their equitable share in water occasioned by the company's activities.

- **Energy efficiency**

According to a recent Multi-Tier Framework Energy Access Survey Report, Kenya's energy access stands at 75% leaving a significant section of the population excluded. While the government is working towards universal access by 2022, there is a need to

also focus on optimizing the current supply through eliminating any leakages to ensure the current energy capacity is shared equitably.

Acorn will institute measures to ensure that all its buildings contribute a minimum 20% reduction in energy consumption.

- **Materials efficiency**

A report by the Innovation and Growth Team (IGT) on low carbon construction notes that CO₂ emissions arise throughout a building's life cycle. The same report places material usage as the second most significant area of carbon emissions after operational emissions.

Acorn seeks to achieve a 20% reduction in embodied energy in all its buildings through embodied carbon assessments at the project planning phase.

Acorn seeks EDGE Certification for architectural drawings (preliminary certification) and final EDGE certification upon completion of construction.

4. Process for Project Evaluation and Selection

A dedicated Green Bond Committee has been established to create this Green Bond Framework. The committee consists of certain members of the Acorn Board and members of Acorn's management. The committee will manage any future updates to the Framework, including expansions to the list of Eligible Categories, and oversee its implementation.

For future projects, i.e. projects which may be originated after Acorn's inaugural issuance and for existing developments for which detailed information has become available (ie the completed EDGE Certificates) the Green Bond committee will oversee the process for evaluation and selection of eligible projects according to the methodology defined.

Acorn takes care that all selected Eligible Assets comply with official national and social standards and local laws and regulations on a best effort basis. It is part of the transaction approval process to take care that all their activities comply with internal environmental and social standards in line with Development Finance Institution requirements, such as the IFC Environmental and Social Performance Standards which in summary requires:

- businesses should support a precautionary approach to environmental challenges;
- undertake initiatives to promote greater environmental responsibility; and
- encourage the development and diffusion of environmentally friendly technologies.

5. Management of Proceeds

The fundamental element of Green Bonds is the use of proceeds. Note holders are required to commit the full capital amount upfront with the funds drawn down quarterly in advance, in line with construction timelines. A Lenders' Technical Advisor approves drawdown of each quarterly tranche to the Issuer after verifying that the previous drawdown has been fully utilized and in line with intended use of proceeds.

Acorn intends to allocate the proceeds from the Green Bonds to the projects identified and that meet the use of proceeds eligibility criteria in accordance with the evaluation and selection process presented above.

During the life of the Green Bonds, and upon becoming aware, if a project ceases to fulfil the eligibility criteria, Acorn will remove the project from the Eligible Green Loan Portfolio and replace it, when necessary, for the balance as soon as reasonably practicable.

Whilst any Green Bond net proceeds remain unallocated, Acorn will hold and/or invest, at its own discretion, in its liquidity portfolio in money market instruments, the balance of net proceeds not yet allocated to eligible loans.

6. Reporting

The Capital Markets Authority's Policy Guidance Note for Green Bonds, require green bond issuers to provide information on the allocation of proceeds and impact.

Acorn intends to report to investors within one year from the date of a Green Bond transaction and annually thereafter, for the lifetime of the bond.

The allocation report will provide information on:

- the total amount of proceeds allocated to eligible loans
- the number of eligible loans
- the balance of unallocated proceeds or the amount or the percentage of new financing and refinancing

The annual report will also provide information on the environmental and social impacts of the project. Key indicators that will be reported on a portfolio basis include:

- estimated ex-ante annual energy consumption in KWh/m² or energy savings in MWh
- estimated annual GHG emissions reduced/avoided in tons of CO₂ equivalent
- water savings and other efficiency improvements
- Direct and indirect job creation as a result of Acorn's green projects.
- Contribution towards diversity and equal opportunity from the job opportunities created.
- Number of quality student accommodation provided (number of beds) to fill the market need. Acorn targets to deliver a total of 50,000 Qwetu and Qejani beds by 2025.
- Acorn's outreach to the economically and socially excluded population through its product offering and pricing. Acorn projects to have more than 50% of the total operational beds by 2025 targeting this segment through the Qejani brand which will have a price range of between USD 75 to USD 125 per month compared to the premium Qwetu brand with a price range of USD 135 to USD 300 per month.
- Acorn's promotion of health and safety from an occupational and customer perspective.

Acorn shall request on an annual basis, starting one year after issuance and until maturity (or until full allocation), a limited assurance report of the allocation of the bond proceeds to eligible assets, provided by its independent verifier (DNV-GL or any subsequent independent verifier).

Both allocation report and impact report will be made available to the bond holders annually and via the Acorn website.

7. External review

In line with the Capital Markets Authority (CMA) Policy Guidance Note (PGN) for Green Bonds, Acorn will obtain an independent verification assessment from an Independent Verifier (in this case the global firm DNV-GL was contracted), to confirm the validity of the Acorn Green Bond Framework and to Certify the bond under the Climate Bond Standard. The independent verification report will be submitted to the CMA and published on the Acorn website. Furthermore, in line with the requirements of the Climate Bond Standard, a post-verification will be undertaken within one year of inaugural issuance. For any future Green Bond issuance under the Acorn Green Bond Framework, Acorn will obtain an independent verification assessment from an external verifier (DNV-GL or any subsequent external verifier). Acorn will similarly make the document accessible on the Acorn website.