

Sustainability Policy

Approved: 30 March 2023

Policy Type: Board

1. Purpose

The purpose of this policy is to establish the guidelines for LGFA's sustainability work and ensure our actions support our ability to create long-term value for LGFA, our stakeholders and our local communities. Looking after staff, customers, shareholders, communities, stakeholders and the environment is essential for LGFA's long term financial wellbeing and to ensure future resilience and success.

2. Scope and Responsibilities

This policy covers all activities at LGFA and applies to relationships with councils and investors, as well as with financial counterparties and suppliers. The policy is revised annually, or when necessary, and is complemented by other policy documents.

The LGFA Board is responsible for the strategic direction and control of LGFA's activities and is committed to ensuring LGFA demonstrates ongoing commitment to strong and sound corporate governance. This policy is the responsibility of the LGFA Board.

The Chief Executive is responsible ensuring appropriate delegations and policies are in place for the policy to be applied in practice.

3. Community outcomes and the four well-beings

Under the Local Government Act 2002, a local authority is required to promote the social, economic, environmental and cultural well-being of its district or region. While LGFA is not a local authority our council shareholders, guarantors and borrowers are local authorities and through the provision of funding we assist them with their activities within their district or region.

LGFA recognises that the four well-beings are inherent to sustainability and that it has responsibility for how its business affects society from a social, economic, environmental, and cultural perspective.

LGFA will incorporate consideration for the four well-beings into its business operation and will support its council and CCO members by offering products and services which support well-being initiatives.

LGFA will act ethically by not knowingly contributing to violations of human rights, employee rights or to negative environmental impact, nor accept corruption.

3.1. Social responsibility

No form of discrimination is tolerated within LGFA and the company shall avoid knowingly causing or contributing to a negative impact on human rights in its operations.

LGFA shall work to promote diversity and equality, safe working conditions and work life balance.

LGFA has a number of policies including Staff Induction, Protected Disclosures and Whistle Blowing, Remuneration, Code of Ethics, Health and Safety, Flexible Work, Employment and Diversity that guide our approach to what is expected of LGFA and our staff.

LGFA will operate in compliance with all applicable statutes and agreements.

Within LGFA, there is a zero tolerance for all types of corruption. The Gift and Entertainment Policy outlines that no employee or director may give or receive benefits which may be considered as improper. LGFA's employees and directors shall avoid all existing and conceivable situations which may result in conflicts of interest.

3.2. Economic responsibility

LGFA endeavours to offer services and products which meet our council and CCO borrower needs in this regard as well as highlight council and CCO efforts in sustainable development.

LGFA supports the NZX and the development of the New Zealand capital market and through our role as a financing conduit for local government entities, we take a strong position on ethical behaviour. As the largest issuer of retail bonds in New Zealand, LGFA provides retail investors with the ability to invest in local government debt.

3.3. Environmental responsibility

LGFA will maintain a Toitū Net Zero Carbon certification and develop annual carbon reduction plans.

LGFA aims to be a key contributor to the local government sector's investment in green projects and to contribute to the transition to a low-carbon society. Given the small staff of LGFA staff and operations, these indirect environmental impacts far outweigh our direct environmental impact.

LGFA's view is that integrated environmental consideration is a prerequisite for long-term value creation and will contribute to long-term sustainable development while seeking to minimize its environmental impact.

By taking environmental issues into consideration in its lending, funding and investment activities, LGFA can also manage its indirect environmental impact.

3.4. Cultural responsibility

LGFA has only a modest direct involvement with the community through its activities but supports social and sustainable projects that deliver positive cultural outcomes through our Green, Social and Sustainability Lending Programme.

LGFA sponsors the Taituara Excellence in Local Government Awards each year that highlights projects and initiatives that develop people, culture, the community, maori partnerships and environmental sustainability.

LGFA promotes a culture of diversity and inclusion as outlined in our Diversity and Employment Policies.

4. Follow up, compliance and reporting

LGFA shall measure, report and follow up the sustainability work in accordance with any relevant legislation. This includes the monitoring and measuring of our impact on, societal, economic, environmental and cultural issues.

LGFA will report these outcomes annually in LGFA's annual report.

5. Policy Review

All LGFA policies are either classified as ARC/Board policies or Board policies. All ARC/Board policies are reviewed and approved by the Audit and Risk Committee (ARC) if there are no substantial changes made to a policy. If there are substantial changes made to a policy, or if the policy is a new policy then ARC reviews the policy and the policy is approved by the LGFA Board. All Board policies are reviewed and approved by the Board.

The policy was last reviewed and approved in March 2023; the next scheduled review is June 2023.