

LGFA Sustainability Strategy

March 2023

1.0 Purpose and Values

Our purpose and values are what defines LGFA and everything we do:

Our purpose






Ta tatou kaupapa

Benefiting local communities through delivering efficient financing for local government.

Ka whiwhi painga ngā hapori mā te whakarato pūtea tōtika ki ngā kaunihera.

Our values

Ō mātau uara

 <p>We act with integrity E pono ana mātau</p> <p>We are honest, transparent and are committed to doing what is best for our customers and our company.</p>	 <p>We are customer focused E arotahi ana mātau ki te kiritaki</p> <p>Our customers are our council borrowers, investors, and all other organisations that we deal with. We listen to them and act in their best interests to deliver results that make a positive difference</p>	 <p>We strive for excellence E whakapau kaha mātau kia hiranga te mahi</p> <p>We strive to excel by delivering financial products and services that are highly valued at least cost while seeking continuous improvement in everything we do.</p>	 <p>We provide leadership He kaiārahi mātau</p> <p>We are here for our stakeholders in being strategically minded, providing resilience and executing our strategy. We embrace a high-performance culture and can be relied upon to deliver results.</p>	 <p>We are innovative He auaha mātau</p> <p>To meet our ever-changing customer requirements, we will encourage innovation and provide a diverse range of financial products and services.</p>
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2.0 Sustainability Strategy

The purpose of LGFA's Sustainability Strategy is to set a decision-making framework and identify actions which will:

- align and coordinate actions across the organisation;
- improve behaviour and decision making in relation to climate change mitigation and sustainability across all areas of our operations;
- build on initiatives already underway and take new initiatives within achievable timeframes;
- make us more efficient in the use of resources;
- show leadership and share information with the local government sector on climate change mitigation and sustainable practices;
- help us prepare for any changes in the national climate change and waste programmes.

Acknowledging climate change is a serious environmental issue, mitigation is a key component of this strategy which will focus on raising awareness and supporting the local government sector to reduce its climate change impact and the impact climate change could have on the sector.

Our Sustainability Strategy is both internally and externally focussed

- Internally focussed on LGFA as an organisation
 - Reduce our carbon footprint¹ by 50% by 2030 and maintain net carbonzero certification.
 - Adopt Climate Related Disclosure (CRD) standards in our reporting.

¹ As measured by Scope 1,2 and 3 emissions on a per FTE basis using 2018-19 as our base year.

- Externally focussed to assist the council sector through
 - Providing financing products that incentivise sustainability.
 - Encouraging councils to report their GHG emissions and adopt a reduction plan.

This strategy will be updated annually to reflect evolving sustainability-related developments and practice, both domestically and internationally.

Our internal focus

LGFA is a small organisation with a limited direct emissions footprint. We are **Toitū Envirocare net carbonzero certified** and maintain audited records of our GHG emissions footprint.

LGFA is developing our risk and reporting frameworks to align with the Climate Reporting Standards, issued by the External Reporting Board (XRB) in December 2022, with our first disclosures required in our 2024 Annual Report. Our development includes collecting GHG data for the local government sector to report our Scope 3 financed emissions as required by the CRD standards

The aim of the CRD standards is to support the allocation of capital towards activities that are consistent with a transition to a low-emissions, climate-resilient future. The CRD standards are based on the 2017 recommendations of the Task Force on Climate related Financial Disclosures (TCFD) which outlines disclosures across the following four thematic areas: Governance, Risk Management, Strategy, and Metrics and Targets.

Since 2021, LGFA’s annual report has been prepared in accordance with the Global Reporting Initiatives (GRI) standards. Under GRI, we have identified our material issues, which are those issues that reflect our significant economic, environmental, and social impacts, or that substantively influence the assessments and decisions of our stakeholders.

LGFA’s materiality issues were determined with the assistance of Proxima, an independent sustainability consultancy.

LGFA has 12 material issues grouped under three headings:

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| <p>Our organisation</p> <ul style="list-style-type: none"> • Culture, ethics and governance • Transparency and disclosure • Health, safety and wellbeing • Diversity and inclusion • Capability and development | <p>Responsible finance</p> <ul style="list-style-type: none"> • Deliver efficient and cost-effective funding • Financial performance • Industry collaboration and engagement • Best practice finance principles | <p>Our environment</p> <ul style="list-style-type: none"> • Green, social and sustainability lending • Responsible investment • Sustainable business practices |
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Our external focus

LGFA has introduced two new sustainable financing products for councils:

- Green, Social and Sustainability Lending
- Climate Action Loans

LGFA intends to be among the leading financial institutions in relation to the focus on climate risk, sustainability and green financing solutions. Through our **Green, Social and Sustainability Lending Programme (GSS)**, we will facilitate investment in sustainable projects in the local government sector. We will:

- Continually develop our GSS loan products to ensure they are among the best on the market.
- Follow the development of the various Taxonomies being developed around the world and other initiatives related to green finance and sustainability, and continually assess our position and the opportunities open to us.

As at 16 March 2023, LGFA had NZ\$562 million of GSS Loans approved, of which NZ\$175.5 million had been drawn.

In addition to our GSS loans, LGFA has introduced **Climate Action Loans (CALs)** with the aim of encouraging councils' efforts in relation to emissions reductions, especially the smaller to mid-size councils with more limited resources. LGFA's aim is keep the offer of CALs as simple as possible, to make them accessible to all councils and easy to understand. We want to avoid having something that is too bespoke and resource intensive, believing that any complexity may limit take-up.

CALs are not specific to a project – a Council/CCO can still apply for GSS loans for eligible projects and receive our GSS loan discount for those loans (these GSS loans would not qualify for the additional CAL discount). CALs apply to long-term borrowing by Council/CCOs with a minimum maturity of three years. CAL borrowing can either be refinancing of existing loans (at maturity) or new borrowing.

3.0 Alignment to the United Nations Sustainable Development Goals (UNSDGs)

Our Organisation



The Local Government Act 2002 places a legal obligation on councils to adopt a “sustainability approach”. Accordingly LGFA’s sustainability policy recognises that all four well-beings – social, economic, environmental and cultural well-being must be considered and integrated when thinking about sustainability of our council members.

Our sustainability focus areas relating to the organisation are:

- To empower and enable our staff to work flexibly.
- To regularly measure staff wellbeing and take action to improve it.
- To strengthen our capability in Te Ao Māori.
- Promoting gender equality.

Our Environment



Our sustainability focus areas relating to our environment are:

- Having sustainability at the forefront of our minds and incorporated into our everyday actions, advice and outcomes.
- Advising with impact by providing the best information at the right time to enable informed and sustainable decisions.
- Measuring and externally certify our carbon footprint annually.
- Reducing our per employee emissions by 30% by 2030 from our 2018/19 baseline².
- Continuing to develop our Green, Social and Sustainable Lending Programme and further enable measurable environmental benefits.
- Establishing an environmental reporting data source covering the 15 New Zealand regions, broken down into the 78 jurisdictions, as well as for the individual council organisations.

Responsible Finance



Our sustainability focus areas relating to our responsible financing are:

- Remaining financially sustainable and operating within our mandate.
- Measuring and reporting on our financial and non-financial results via our annual report (See LGFA's CRD Roadmap). We report transparently on our performance and progress.
- Managing our Liquid Asset Portfolio in line with our Responsible Investment Policy.

In our business operations LGFA will consider ways to

- Provide sustainable finance to the Councils and CCOs.
- Invest responsibly.
- Encourage and assist the sector to adopt responsible financing.

² As measured by Scope 1,2 and 3 emissions on a per FTE basis using 2018-19 as our base year.