

LGFA Sustainability Committee Charter

1. Introduction

The purpose of this document is to set out the role, authority, responsibilities, structure and reporting obligations of the Local Government Funding Agency New Zealand Limited (LGFA) Sustainability Committee (Committee) under this LGFA Board (Board) approved charter.

The Committee will provide advice and recommendations to the LGFA Chief Executive (CE) and Board on sustainability issues. This includes LGFA's plans to continually manage and reduce its own emissions as well as the continued implementation of a Green, Social & Sustainability Lending Programme (GSS Programme). In December 2022, LGFA added a further sustainable lending programme with the Climate Action Loan Programme (CAL Programme).

Issuance of LGFA Sustainable Financing Bonds will be undertaken to finance or refinance a pool of Sustainability Loans (with the pool comprising Green, Social & Sustainability Loans, Climate Action Loans, or both) that meet the eligibility criteria set out in the Sustainable Financing Bond Framework.

2. Establishment of the LGFA Sustainability Committee

This Committee reports to the CE to assist the CE and Board on all material matters in relation to sustainability within LGFA.

3. LGFA Sustainability Committee Purpose and Responsibilities

The purpose of the Committee is to advise the CE and Board on sustainability issues within LGFA, across its operating, borrowing and lending activities. This includes providing input into the governance and oversight process of the GSS Programme, CAL Programme and Sustainable Financing Bond issuance.

The key responsibilities of the Committee will include:

- Review and make recommendations to the CE as to the introduction of new sustainability (including sustainable finance) initiatives that meet LGFA's sustainability strategic ambition and legislative obligations (e.g. incorporating and updating sustainability into financial reporting, climate related disclosures).
- Provide sustainability related advice to the CE and Board when requested regarding policies and plans.
- Provide sustainability related advice and information to the CE and Board when requested, regarding legislation and regulations that may impact LGFA.
- Advise the CE on oversight and market standards in relation to the GSS Programme, CAL Programme and Sustainable Financing Bond Framework.
- Advise on asset suitability for inclusion in the GSS Programme and the CAL Programme.

- Provide advice on the establishment, monitoring and review of sustainability-related impact measures.
- Advise on how the GSS Programme, CAL Programme and Sustainable Financing Bond Framework adhere to:
 - market guidelines and principles and make recommendations to the CE and Board; and
 - LGFA’s established processes.

This will include:

- The approval process for providing LGFA Green, Social & Sustainability Loans (GSS Loans) and LGFA Climate Action Loans (CALs) to LGFA Council and CCO borrowers;
 - Sufficient and effective sustainable lending data collection processes; and
 - Review of assets, as part of the GSS Loan and CAL approval process, to ensure eligibility is in line with the respective Criteria.
- Review and recommend to the Board the approval of regular impact reporting and other external disclosures, in line with established sustainable lending data collection processes.
 - Assist with reviewing LGFA compliance with the Sustainable Financing Bond Framework
 - Monitor updates and market developments to ensure ongoing compliance with industry standards (i.e., International Capital Markets Association (ICMA) Sustainability Bond Principles, and Loans Market Association (LMA) Sustainability-Linked Loan Principles).
 - Following the Sustainability Committee review of a GSS Loan Application, where applicable recommend the borrowing request to CE for approval of GSS lending.
 - Following the Sustainability Committee review of a CAL Application, where applicable recommend borrowing request to CE for approval of CAL lending.

Committee Composition

The Committee is approved by the Board and comprises a minimum of five members; a mix of three LGFA employees and a minimum of two external appointees.

The composition of the Committee will be reviewed annually by the Board to ensure an appropriate balance of expertise, skills, and experience. Appointments and revocations of appointments to the Committee will be recommended to the Board by the CE.

Member	Functional role
LGFA Head of Sustainability	Chair
LGFA Chief Financial Officer	Member and Committee Secretary
LGFA Senior Manager, Credit & Client Relations	Member
External Appointee	Member
External Appointee	Member
External Appointee	Member
External Appointee	Member

The LGFA Head of Sustainability is the Chair of the Committee. Should the Chair be absent from a meeting, an Alternate Chair from amongst the other LGFA members will be appointed as Chair for that meeting.

External Appointees will be paid an hourly fee for time incurred. The hourly fee will be set by the CE after using external independent advice.

The CE and representatives of LGFA's management or the Board are entitled to attend all meetings of the Committee and receive all agendas and related materials.

How the Committee will Operate

The Committee will meet on an as required basis to ensure it fulfils its responsibilities. Meeting frequency and format are outlined as follows:

- Committee meetings will be held around six times a year and are to be held as a standalone meeting. They may be held in person or by phone/webcast.
- Members are required to attend each Committee meeting or otherwise notify the Secretary. Attendance will be recorded, and updates included in Committee Minutes.
- The Secretary will prepare the agenda; a dashboard relating to the agreed targets and any background material one week prior to the meeting whenever possible.
- The LGFA Code of Ethics Policy applies to all members of the Committee. All members are responsible for declaring any potential, perceived or real conflicts of interest, whether pecuniary or non-pecuniary.
- A quorum shall be four members and include at least two LGFA members of the Committee.
- Decisions of the Committee will be made by a majority of the members present. In the event of a deadlock, the Chair shall have a second casting vote in addition to the Chair's deliberative vote.
- If an urgent decision is required by the Committee between scheduled meetings, a separate paper may be circulated to the Committee and a formal record of circulations and recommendations kept. Where recommendations are made outside a Committee meeting, an update is to be provided to the next Committee meeting.
- Copies of Committee papers and reports, together with Committee minutes of each Committee meeting, will be circulated to all members, the CE and the Board.

The Chair of the Committee will update the CE and the Board on the proceedings of the Committee and make appropriate recommendations to the CE or the Board for decision.

On any substantive matter, the Committee will update the CE and/or the Board at the next appropriate opportunity.

The Committee will have input into reporting on matters such as:

- Non-compliance with the documentation of the GSS Loan Programme.
- Operational or reputational issues in relation to the GSS Loan Programme.
- Non-compliance with the documentation of the CAL Programme.

- Operational or reputational issues in relation to the CAL Programme.
- Non-compliance with the documentation of the Sustainable Financing Bond Programme.
- Operational or reputational issues in relation to the Sustainable Financing Bond Programme

Review of the LGFA Sustainable Committee Charter

The Board will review the Committee Charter on a two-yearly basis.

Committee Review

The Committee will conduct an annual review of its performance and effectiveness, to ensure the Committee is performing its role and responsibilities, by reference to this Charter and best practice. This review process will include a review of the terms of the Committee Charter. The Committee must refer any recommended changes for decision by the Board.

Any amendments to this document shall be recorded below.

Change history			
Update number	Date Published	Date Approved	Changes
1	18 October 2022	27 October 2022	Approved
2	27 February 2023		
3	30 March 2023	30 March 2023	Approved