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Sustainalytics Second Party Opinion

LGFA Sustainable Financing Bond Framework

17 September 2025[7]

Issuer/Originator Location
Wellington, New Zealand

Assessment Summary

Sustainable Financing Bond Framework

We have reviewed the LGFA Sustainable Financing Bond Framework, under which LGFA intends to issue sustainable financing bonds to finance or refinance funding it provides to its member councils and council-controlled organizations, together the Borrowers. The net proceeds of those sustainable financing bonds will be notionally allocated to a pool of sustainable loans advanced to the Borrowers, comprising: i) green and social loans, or GS Loans (see Green and Social Loans – Lending Programme Criteria below); and ii) Climate Action Loans (CALs;[1] see Climate Action Loans – Lending Programme Criteria below), together the Sustainable Loans. We are confident that LGFA is well positioned to issue sustainable financing bonds and use proceeds from the bonds to originate GS Loans and CALs under its GS Loan Criteria and CAL Criteria, respectively. We have assessed the Framework, based on the proceeds-based pillars of general market standards for sustainable finance, as overall aligned with the impact and transparency principles that underpin the sustainable finance market.

Furthermore, we have assessed the components of the Framework as credible and that LGFA's criteria for assessing the eligibility of loans under the Framework will direct funds to Sustainable Loans that are expected to provide overall positive environmental and social benefits.[2] Additionally, we have assessed the principles of impact and transparency that underlie the sustainable finance industry and many of its norms and standards as applicable to the sustainable financing bonds that LGFA intends to issue, and that LGFA's internal processes and the use of funds overall aligns with said impact and transparency principles.

LGFA intends to use the Framework to issue sustainable financing bonds following the proceeds-based pillars of the general market standards for sustainable finance, namely the Green Bond Principles (GBP) and Social Bond Principles (SBP).[3] We note that LGFA does not claim direct alignment of the Framework with these principles, given the nature of the pool of Sustainable Loans, which comprises both GS Loans and CALs together in the same asset pool.

Contribution to SDGs

[1] CALs are target (or incentive) based loans, and so are sustainability-linked loans in nature and structure. LGFA defined a standard KPI and SPT to be used by the Borrowers (see Tables 1 and 2) to incentivize Borrowers to reduce their scope 1, 2 and 3 GHG emissions through the adoption of an Emissions Reduction Plan and a 1.5°C aligned science based GHG emissions reduction targets. Failure to achieve the SPT results in declassification from the CAL Programme, rendering the Borrower ineligible to apply for new CALs until LGFA is satisfied (in its sole discretion) that the Borrower and the declassified CAL meet the CAL Criteria.

[2] Given GS Loans are proceeds-based, they are expected to have overall positive environmental and social benefits. While CALs are not proceeds-based, they are still expected to have positive environmental benefits given i) the specific nature of the SPT and ii) the role that declassification from the CAL Programme will play to incentivise the Borrower to achieve the SPT. The expected positive environmental benefit from CALs is linked, i.e. benefit linked to the loan characteristics namely, the Borrower's declassification from the CAL Programme upon failure to achieve SPTs, unlike the direct environmental benefit from GS Loans.

[3] The GBP and SBP are administered by the International Capital Market Association, and are available at: https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/

[7] This document updates the Second Party Opinion dated March 2023. Details of the update are included in the respective GS Loans and CALs sections.

Green and Social Loans Lending Programme Criteria

Green Loan Principles 2025 and Social Loan Principles 2025

We have assessed that the Green and Social Loans – Lending Programme Criteria, or the GS Loan Criteria, under the Framework is credible and impactful and aligns with the Green Loan Principles 2025 (GLP) and Social Loan Principles 2025 (SLP), together the Use of Proceeds Loan Principles. The eligible categories for the use of proceeds – Energy Efficiency; Green Buildings; Clean Transportation; Sustainable Water and Wastewater Management; Renewable Energy; Pollution Prevention and Control; Environmentally Sustainable Management of Living Natural Resources and Land Use; Climate Change Resilience and Adaptation; Terrestrial and Aquatic Biodiversity Restoration, Conservation and Enhancement; Circular Economy Adapted Products, Production Technologies, Processes and Business Models; Affordable Basic Infrastructure; Access to Essential Services; and Affordable or Social Housing – are aligned with those recognized by the Use of Proceeds Loan Principles and will deliver overall positive environmental and social benefits.

Climate Action Loans Lending Programme Criteria

Sustainability-Linked Loan Principles 2025

We have assessed the Climate Action Loans – Lending Programme Criteria, or the CAL Criteria, for originating and evaluating CALs as partially aligned with the intent of the Sustainability-Linked Loan Principles 2025. In addition, the KPI and SPT that the Borrowers will use are expected to be in line with the Sustainability-Linked Loan Principles 2025. The CAL Criteria are in line with the intent of four of the five core components of the SLLP. We recognize that a primary aim of the CAL Programme is to incentivize Borrowers to achieve ambitious decarbonization targets and consider the mechanism of declassification from the Programme to be an impactful incentive to achieve such targets. However, the loan (pricing and margin adjustment) characteristics set out in the CAL Criteria are technically not aligned with the SLLP's loan characteristics component (Component 3 of the SLLP) because the financial characteristics cannot be linked within the same CAL term due to existing accounting standards, but to future CALs.[4]

[4] LGFA has chosen such loan characteristics to prevent risk related to accounting standards (see Loan Characteristics section).

Overview of the KPIs and SPTs defined in the CAL criteria:[5,6]

KPI	Strength of the KPI	SPT	Ambitiousness of SPT
KPI 1: Absolute gross scope 1 and 2 GHG emissions (tCO_2e)	Very Strong	SPT 1: Reduction in absolute gross scope 1 and 2 GHG emissions in line with a 1.5°C science-based scenario	Highly Ambitious
KPI 2: Absolute gross scope 3 GHG emissions (tCO_2e)		SPT 2: Reduction in absolute gross scope 3 emissions across the Borrower's full value chain in line with a 1.5°C science-based scenario	

[5] Setting such scope 1, 2 and 3 GHG emissions reduction targets in line with 1.5°C scenario may be guided by the Science-Based Targets initiative (SBTi) or credible third parties.
[6] Borrowers are required to establish scope 3 targets covering their entire value chain within two years from when the Borrower is first approved by LGFA to enter into CALs, if such targets have not already been adopted.

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Scope of Work and Limitations

This Second Party Opinion provides a point-in-time independent opinion of the Framework as at the Evaluation Date. Our opinion may consider additional documentation and information that the Framework owner may have provided during the engagement, in addition to public and non-public information. The owner refers to the entity featuring as an issuer, borrower, special-purpose vehicle or any other entity as described in the Framework.

As part of this engagement, we communicated with representatives of the Framework owner, who acknowledge that: i) it is the sole responsibility of the Framework owner to ensure that the information provided is complete, accurate and up to date; ii) they have provided us with all of the relevant information; and iii) that all of the information has been provided in a timely manner.

This Second Party Opinion provides our opinion of the Framework and should be read in conjunction with that Framework. Any update of this Second Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and the Framework owner.

Our Second Party Opinion provides our opinion on the alignment of the Framework with current market standards and practice, but provides no guarantee of alignment nor warranty of alignment with future versions of any such standards. In addition, this Second Party Opinion does not guarantee the realized allocation of proceeds towards eligible activities. Furthermore, Sustainalytics' Second Party Opinion addresses the anticipated SPTs but does not measure progress on the KPIs. This Second Party Opinion is valid for issuances aligned with the Framework until one of the following occurs: i) a material change to the external benchmarks against which targets were set; and ii) a material corporate action (such as a material M&A or change in business activity), which has a bearing on the achievement of the SPTs or the materiality of the KPIs. Measuring and reporting on KPIs and SPTs is the responsibility of the Framework owner.

No information provided in this Second Party Opinion shall be considered as being a statement, representation, warranty or argument in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that the Framework owner may have made available to Sustainalytics for the purpose of this Second Party Opinion.

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Introduction

The New Zealand Local Government Funding Agency Limited – LGFA, the Issuer or the Originator – is a council-controlled organization (CCO) headquartered in Wellington and operates under the Local Government Act 2002 of New Zealand. LGFA is a funding agency that raises debt on behalf of councils and CCOs of New Zealand, together the Borrowers.

LGFA has developed the Framework to issue sustainable financing bonds to finance or refinance the funding it provides to councils and CCOs. An amount equal to the net proceeds of those sustainable financing bonds will be notionally allocated to an asset pool of Sustainable Loans comprising: i) GS Loans and ii) CALs or both – the Sustainable Loan Asset Pool. The Framework is underpinned by the GS Loan and the CAL Criteria, together the Sustainable Loans Programme Criteria, as part of LGFA's sustainable loans programme to provide Sustainable Loans to the Borrowers. The Sustainable Loans Programme Criteria under the Framework are intended to guide potential GS Loans and CALs between LGFA and the Borrowers. As of September 2025, the Borrowers represent 77 of the 78 councils in New Zealand, along with eight CCOs.

Councils in New Zealand are made up of two tiers: territorial councils (city councils and district councils) and regional councils, together the Councils. Under the unitary governance system of New Zealand, along with local government reforms, Councils cover only a narrow range of services, which leaves them with no: i) legislative powers; ii) powers to levy taxes, except property taxes; iii) powers to impose emissions taxes on other corporations or businesses; or iv) powers to influence GHG emissions beyond operational control in their city, district or region. Councils can provide services and activities to their communities: i) through their in-house staff and operations, ii) by contracting a third party or organization; and iii) through a CCO. In contrast, CCOs are companies, trusts or other such organizations with the majority of control held by a single council or jointly with other councils. Both Councils and CCOs are governed by the Local Government Act 2002.[8] CCOs are established for a variety of purposes, including to streamline the delivery of public services, such as ports, airports, holdings, water and wastewater services, infrastructure, electricity distribution and public facilities.[9] Overall, CCOs' main purpose is to facilitate the achievement of objectives of Councils, while the responsibilities pertaining to delivery of specific public services are transferred to the CCOs to streamline the delivery of public services.[10]

LGFA has engaged Sustainalytics to review and provide a Second Party Opinion on: i) the Framework's alignment with market expectations in line with the key principles of impact and transparency that underlie the sustainable finance industry as relating to the sustainable financing bonds;[11] and ii) the Sustainable Loans Programme Criteria's alignment with market standards, including the Green Loan Principles 2025 (GLP), Social Loan Principles 2025 (SLP) – together the Use of Proceeds Loan Principles – and the Sustainability-Linked Loan Principles 2025 (SLLP), collectively the Principles.[12] The Framework will be published in a separate document, along with the GS Loan Criteria and the CAL Criteria, on LGFA's website.[13]

[8] New Zealand Legislation, "Local Government Act 2022", at: https://www.legislation.govt.nz/act/public/2002/0084/latest/versions.aspx
[9] Department of Internal Affairs, "Local Government Act 2002", at: https://www.legislation.govt.nz/act/public/2002/0084/latest/DLM171482.html
[10] Office of the Auditor-General New Zealand, "Governance and Accountability of Council-controlled Organisations: Getting the Design of a council-controlled Organisation Right", at: https://oag.parliament.nz/2015/cco-governance/part4.htm
[11] LGFA intends to issue sustainable financing bonds following a proceeds-based structure as informed by the use of proceeds-based pillars of the general market standards for sustainable finance such as the Green Bond Principles (GBP), Social Bond Principles (SBP), Green Loan Principles (GLP), Social Loan Principles (SLP), and Sustainability-Linked Loan Principles (SLLP). We note that LGFA does not claim direct alignment of the Framework with these principles, given the nature of the pool of Sustainable Loans, which comprises both GS Loans and CALs together in the same asset pool. The SBG, GBP, and SBP are administered by the International Capital Market Association and the GLP, SLP and SLLP are administered by the LMA, APLMA and LSTA, and are available at: https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/. and https://www.lsta.org/content/?_industry_sector=primary-market
[12] The Green Loan Principles, Social Loan Principles, and Sustainability-Linked Loan Principles are administered by the Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA) and Loan Syndications & Trading Association (LSTA) and are available at: https://www.lsta.org/content/green-loan-principles/; https://www.lsta.org/content/social-loan-principles-slp/; and https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/
[13] The Framework and its GS Loan Criteria and CAL Criteria will be available on LGFA's website at: https://www.lgfa.co.nz

In line with the GS Loan Criteria, LGFA intends to originate GS Loans, the proceeds of which will finance or refinance, in whole or in part, existing or future green and social or both projects, assets and activities that are expected to deliver positive environmental and/or social benefits. The GS Loan Criteria under the Framework defines eligibility criteria in 10 green and three social categories:

Green categories:

1. Energy Efficiency
2. Green Buildings
3. Clean Transportation
4. Sustainable Water and Wastewater Management
5. Renewable Energy
6. Pollution Prevention and Control
7. Environmentally Sustainable Management of Living Natural Resources and Land Use
8. Climate Change Resilience and Adaptation
9. Terrestrial and Aquatic Biodiversity Restoration, Conservation and Enhancement
10. Circular Economy Adapted Products, Production Technologies, Processes and Business Models

Social categories:

11. Affordable Basic Infrastructure
12. Access to Essential Services
13. Affordable or Social Housing

Alignment of Sustainable Financing Bond Framework with Market Standards

LGFA Sustainable Financing Bond Framework

Under the Framework, LGFA intends to issue sustainable financing bonds following a proceeds-based structure as informed by the proceeds-based pillars of the market standards for sustainable finance, such as the GBP and SBP.[14] We note that LGFA does not claim direct alignment of the Framework with these principles given the nature of the pool of Sustainable Loans, which comprises both GS Loans and CALs together in the same asset pool. Therefore, proceeds allocated to CALs cannot be considered as credible, given the proceeds allocated to CALs cannot fulfil the recommendations set out by the GBP and SBP.

Nevertheless, we have assessed that the Framework, based on the proceeds-based pillars of general market standards for sustainable finance, is overall in alignment with the impact and transparency principles which underpin the sustainable finance market.

Impact	► The Framework, together with the GS Loan Criteria and CAL Criteria, will advance the sustainability objectives of LGFA by enabling GS Loans and CALs with positive environmental and social benefits. Refer to the sections below for our opinion on their alignment with relevant market standards.[15]
Transparency	► Transparency is recognized as a key principle with regard to sustainable finance, as it provides assurance and the necessary information to stakeholders to enable them to assess the extent to which investments are delivering positive benefits. We highlight the following elements of the Framework that facilitate transparency: *Project selection and evaluation* ► LGFA intends to notionally allocate an amount equal to the net proceeds raised from the issuance of sustainable financing bonds under the Framework to the Sustainable Loan Asset Pool. Sustainable Loans must meet the eligibility criteria set out in the GS Loan Criteria or the CAL Criteria to be included in the Sustainable Loan Asset Pool. In addition, the project selection and evaluation process under the Framework encompass consideration of factors such as: i) alignment with LGFA's sustainability strategy; and ii) assessment of any potential negative social and/or environmental impacts from the GS Loans and mitigants to these impacts. ► Based on the above and LGFA's Sustainability Committee's recommendations, LGFA's Chief Executive will assess each application in relation to proposed GS Loans and/or CALs. ► For Borrower-level disclosures on project selection and evaluation, see: i) Alignment of GS Loan Criteria with Use of Proceeds Loan Principles; and ii) Alignment of CAL Criteria with SLLP sections.

[14] The GBP and SBP are administered by the International Capital Market Association, and are available at: https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/

[15] Refer the following sections: i) Alignment of GS Loan Criteria with Use of Proceeds Loan Principles; and ii) Alignment of CAL Criteria with Sustainability-Linked Principles sections.

Management of proceeds

- LGFA will maintain a register of the Sustainable Loan Asset Pool, the Sustainable Loan Register, which will outline the Sustainable Loans that have been included in the Sustainable Loan Asset Pool. The Sustainable Loan Register will separately maintain the current value of GS Loans and CALs based on the amounts advanced to the Borrowers under the relevant loans. It will also ensure equivalent allocation of net proceeds raised from the sustainable financing bonds to the Sustainable Loan Asset Pool. LGFA management will have oversight over the development and maintenance of the Sustainable Loan Register and the notional allocation of net proceeds of sustainable financing bonds against GS Loans and CALs.
- LGFA intends to notionally allocate an amount equal to the net proceeds of the sustainable financing bonds to Sustainable Loans within two years of the issue date of the relevant sustainable financing bonds. In addition, when notionally allocating the amount equal to the net proceeds from a sustainable financing bond to Sustainable Loans, LGFA will only include Sustainable Loans in the Sustainable Loan Asset Pool that were advanced in the two years before the issue date of relevant sustainable financing bonds.
- Pending allocation, any net unallocated proceeds will be temporarily invested in: i) cash and money market securities; or ii) investment instruments that are not associated with emission-intensive projects.
- The Sustainable Loan Asset Pool may be replenished if: i) GS Loans or CALs are repaid or have matured; ii) ineligible GS Loans or CALs are removed; or iii) additional GS Loans or CALs are identified and funded. LGFA will ensure financing that meets both the GS Loan Criteria and CAL Criteria is not double counted within the Sustainable Loan Asset Pool.
- We consider this level of disclosure to investors as sufficient to ensure the credibility of the project selection process. For Borrower-level disclosures on management of proceeds, see: i) Alignment of GS Loan Criteria with Use of Proceeds Loan Principles; and ii) Alignment of CAL Criteria with SLLP sections.

Reporting

- LGFA intends to annually disclose Annual Update Reports for all outstanding sustainable financing bonds under the Framework. These reports will include: i) allocation reporting encompassing a list and description of the Sustainable Loans and the amount of net proceeds notionally allocated towards the Sustainable Loan Asset Pool; ii) eligibility reporting, including confirmation on Sustainable Loans meeting the eligibility criteria in the Framework; and iii) impact reporting that provides qualitative and/or quantitative reporting of environmental and/or social impacts. LGFA's management oversees the Issuer's reporting obligations and the notional allocation of the net proceeds of sustainable financing bonds to the sustainable loan asset pool.
- The allocation and impact reporting of the GS Loans and CALs will be reported distinctively, and avoidance of double counting will be ensured.

- LGFA will seek an external reviewer to confirm that: i) the Sustainable Loans in the Sustainable Loan Register meet the CAL Criteria and/or GS Loan Criteria and comply with the Framework; and ii) the impact reporting metrics have been fairly and accurately represented, if applicable.
- See: i) Alignment of GS Loan Criteria with Use of Proceeds Loan Principles; and ii) Alignment of CAL Criteria with SLLP sections for more details regarding reporting under GS Loans and CALs.

Alignment of GS Loan Criteria with Use of Proceeds Loan Principles

LGFA Sustainable Financing Bond Framework

We have assessed the GS Loan Criteria under the Framework as overall credible, impactful and aligned with the Use of Proceeds component of the Loan Principles. We highlight the following elements of the GS Loan Criteria for GS Loans under the Framework.

LGFA launched its GS Loan Criteria in March 2023, for which Sustainalytics provided a Second Party Opinion. The 2025 version of the GS Loan Criteria (under review in this Second Party Opinion) includes the following key changes: i) expanded and updated eligibility criteria for green and social categories, including a new use of proceeds category; ii) updated requirements and terms and conditions for the GS Loan applications; and iii) the inclusion of key performance measures, which highlights the key impact indicators for each use of proceeds category.

Use of Proceeds

Overall Assessment of Use of Proceeds	► The GS Loan Criteria has defined an 18-month look-back period prior to the date of GS Loan application for existing projects for the Borrowers.[16]	
Energy Efficiency	Sub-category	Assessment
	Energy efficiency measures to reduce energy requirements and manage energy demand	► Installation of energy-saving technologies, equipment and components to improve energy efficiency in the projects, buildings, assets, activities or facilities owned by the Councils and CCOs. This may include: ► Battery storage systems that are powered by renewable energy. ► Decentralized electric district heating projects, including replacement of oil and gas boilers with electric boilers. While district heating and cooling distribution network systems primarily powered by renewables are recognized as major contributors to decarbonization, enhancing the energy efficiency of air conditioning systems is also critical to these efforts. It is therefore important to report on the environmental benefits achieved. ► Smart grid components for better energy demand management, such as advanced metering systems, sensors and load control switches. ► Replacing existing windows with new energy-efficient windows with a low U-value, installation of LED lighting. ► Energy-efficient water heating systems, such as electric heat pumps where the global warming potential of refrigerants does not exceed 675 and a refrigerant management plan will be in place, with measures to monitor and minimize leakage, such as leak detection alarm systems, regular leak detection inspections and equipment maintenance and cleaning. ► Smart meters for electricity and energy management systems.

[16] GS Loans do not include revolving credit facilities and multi-tranche loans.

		► Excludes: i) energy transmission and distribution projects; ii) energy efficiency activities related to projects and assets that help reduce GHG emissions from heavy industries and fossil fuel-dependent industries and their operations that are inherently carbon intensive or that are primarily driven or powered by fossil fuels; iii) absorption heat pumps; iv) smart meters designed for natural gas; and iv) household appliances and products. ► We view the investments under this category to be environmentally beneficial.
Green Buildings	Sub-category	Assessment
	Acquisition, construction, operation, renovation or retrofitting of new or existing buildings achieving minimum green building ratings	► Acquisition, construction, retrofit or operation of new or existing green buildings (either residential, office, retail, health, community facilities or other non-residential) that are certified as obtaining or verified as targeting the minimum certification level as below: ► For existing buildings (including leased buildings), a minimum of one of the following: i) 4.5-star NABERSNZ Energy Base Building rating[17] or Energy Whole Building rating[18] (for operational buildings); ii) 5-star Green Star Performance rating;[19] or iii) 5-star Green Star for Fitouts[20] (for commercial building fit-outs). ► For new and refurbished buildings, a minimum of 5-star Green Star Design and As Built rating.[21] ► For new residential buildings, a minimum of 7-star Homestar rating.[22] ► For projects that are temporary (e.g. the building is leased), the Borrowers are required to maintain certification for the duration of the GS Loan. ► Excludes the financing of buildings dedicated for the storage, transportation and exploration of fossil fuels. ► Regarding Green Star Fitouts, the certification is currently in the development phase and hence we have not assessed this certification in the scope of this Second Party Opinion. We view the other investments in this category to be environmentally beneficial.
Clean Transportation	Sub-category	Assessment
	Footpaths, bicycles and related	► Procurement of electric scooters, bicycles and electric bicycles.

[17] Base build rating measures the energy performance of a building's core services.
NABERSNZ, "Types of ratings", at: https://www.nabersnz.govt.nz/about-nabersnz/types-of-ratings/
[18] A whole building rating combines base building and tenancy.
NABERSNZ, "Types of ratings", at: https://www.nabersnz.govt.nz/about-nabersnz/types-of-ratings/
[19] NZGBC, "Green Star Performance", at: https://nzgbc.org.nz/green-star-performance
[20] NZGBC, "Green Star Fitouts", at: https://nzgbc.org.nz/green-star-fitouts
[21] NZGBC, "Green Star Design & As Built", at: https://nzgbc.org.nz/green-star-design-and-as-built
[22] NZGBC, "Homestar", at: https://nzgbc.org.nz/introduction-to-homestar

infrastructure projects	► Construction of new footpaths and cycle paths, LED lighting for footpaths or cycle paths, and bicycle parking facilities. ► We view these investments to be environmentally beneficial.
Land transport including light or heavy vehicles	► Procurement of zero-direct-emission light or heavy vehicles for public, private and freight transportation. ► Excludes freight trucks dedicated to transporting fossil fuel or alternate fuel blended with fossil fuel. ► We view these investments to be environmentally beneficial.
Rail transport	► Procurement of new low-emission or zero-direct-emission (powered by electricity or green hydrogen) railway carriage and other equipment (e.g. control and management systems) for rail-based public transport. ► Eligible low-emission rail transport is required to have an emissions intensity threshold below 50 gCO_2e/pkm. ► Excludes railway carriage for freight transportation. ► We view these investments to be environmentally beneficial.
Maritime transport	► Procurement of low- or zero-emission ferries, high-speed craft (both intended for passengers) and port-related maritime transport (e.g. tugboats) powered by electricity or green hydrogen. ► Low-emission maritime transport is required to be powered by electricity, with a fossil fuel backup. ► Excludes tank containers and cargo ships or vessels dedicated to the transport of fossil fuels (such as crude oil or LNG) or alternate fuel blended with fossil fuel. ► We view these investments to be environmentally beneficial.
Heavy machinery	► Procurement of low- or zero-emission heavy machinery, such as diggers, compactors, telehandlers or straddle carriers that are hybrid or powered by electricity or green hydrogen and related infrastructure associated with the use of heavy machinery (e.g. charging points and energy stations). ► Hybrid heavy machinery is required to be powered by electricity, with a fossil fuel backup to manage extraordinary operational scenarios to avoid hazards and ensure the safety of port personnel. ► While we note that heavy machinery could support conventional shipping vessels, we recognize the environmental benefits of electrifying port infrastructure and thereby reducing GHG emissions.
Infrastructure	► Installation or upgrade of charging points for electric vehicles, including high-speed and normal chargers. ► Construction of green hydrogen filling stations.

		► Equipment related to zero-emission (electric or green hydrogen) public transport services, such as ticketing systems, real-time display systems and information equipment, and tram, bus and train depots or stations. ► Installation of electric shore-side power connections, charging points for ferries, ships, etc. Such facilities do not include bunkering of any fossil fuels. We note that while the installation of electric charging points will support the use of electric vessels, such infrastructure will also support vessels with diesel-fuelled auxiliary engines. Nevertheless, we recognize the environmental benefits of electrifying port infrastructure and thereby reducing GHG emissions. ► Low- or zero-emission port infrastructure, such as cranes that are hybrid or use electricity or green hydrogen. Fully electric port infrastructure will be prioritized wherever feasible, and hybrid solutions will be chosen only in cases where they are necessary to avoid safety hazards or to ensure operational resilience. ► Regarding port infrastructure, we note that it could support conventional shipping vessels and that the potential Borrowers will not have control over fuel usage of the vessels supported by the port infrastructure. Nevertheless, we recognize the environmental benefits of electrifying port infrastructure and thereby reducing GHG emissions.
Sustainable Water and Wastewater Management	Sub-category	Assessment
	Water efficiency and leakage	► Infrastructure and technologies for new and existing water facilities to reduce water loss, improve water-use efficiency and storage. This may include: ► Installations of water-saving technologies, such as smart water metering. ► Construction of water storage and distribution systems. ► Development of rainwater harvesting and storage systems. ► Advanced leakage management programmes. ► Installation of innovative technologies, such as smart irrigation systems, rainwater harvesting, smart water management systems, advanced metering, variable frequency drives and pressure-reducing valves. ► Eligible expenditures are required to be accompanied by the following: i) water leakage level assessments to identify the potential for reducing water leakage; and ii) annual monitoring of water leakage. ► Excludes: i) equipment and methods dependent on fossil fuel power; and ii) systems and measures to provide water for fossil fuel operations, fracking and mining. ► We view these investments to be environmentally beneficial.

Sustainable wastewater treatment and disposal of sludge	► Sustainable wastewater management projects that may be engineered or nature-based assets: ► Construction, maintenance and upgrade of wastewater treatment facilities. This may include sludge treatment through composting or anaerobic digestion. ► Infrastructure and associated services related to the reuse of treated wastewater for potable and non-potable applications, including groundwater recharge. ► Upgrades in wastewater treatment facilities to produce less sludge through processes such as thermal hydrolysis, pyrolysis or gasification, where the sludge used in these processes will not originate from fossil fuel operations. ► New facilities or upgrade of existing processing facilities that recover plant-available phosphorus, nitrogen and potentially other nutrients, such as potassium organic carbon, from wastewater without using precipitant chemicals. This will result in at least 30% recovery of these nutrients. ► Excludes: i) systems or treatment facilities that are dedicated to emission-intensive or controversial activities with harmful social or environmental impacts; ii) treatment of wastewater from fossil fuel operations; and iii) desalination plants. ► Eligible wastewater treatment facilities are required to meet all applicable regional laws and requirements for pollutant control of the treated water discharge. While financing wastewater treatment facilities is important, such financing accompanied by a water leakage assessment to identify potential improvements to reduce water leakage is the most environmentally beneficial.
Stormwater management	► Nature-based solutions, such as stormwater and wastewater network separation projects and infrastructure to improve the efficiency of urban drainage systems and avoid overflow of sewage in the surrounding area during storms. This may include rain gardens, bioswales and permeable pavement that control urban runoff and reduce pollution, including stormwater harvesting and stormwater reuse systems. ► We view these investments to be environmentally beneficial.

► For all projects financed under this category, investments related to maintenance or replacement of assets, facilities or equipment that do not demonstrate a measurable improvement in environmental performance will not be financed under the GS Loan.

Renewable Energy	Sub-category	Assessment
	Geothermal energy	► Geothermal electricity generation facilities where the life cycle GHG emissions are lower than 100 gCO_2e/kWh and the threshold is reduced every five years in line with a 2050 net zero trajectory.
	Solar energy	► Onshore solar electricity generation or solar thermal facilities, with less than 15% of electricity generated from non-renewable sources.
	Wind energy	► Onshore wind energy generation with an average life cycle GHG emissions intensity at or below 14.4 gCO_2e/kWh.
	Hydro energy	► Hydropower facilities and its supporting technology or infrastructure that meets the following: i) emissions intensity threshold of less than 100 gCO_2e/kWh if they became operational before 2020 and less than 50 gCO_2e/kWh if they became operational in 2020 or later; and ii) no unaddressed controversies related to environmental or social impacts.
	Bioenergy	► Bioenergy generation facilities with life cycle emissions of less than 100 gCO_2e/kWh, declining to 0 gCO_2e/kWh by 2050. ► Biomass feedstock for eligible projects may include: ► Second generation biomass feedstock, such as agriculture or forestry residue (excluding palm oil, aquaculture or fisheries residues) and; ► Energy crops (non-food biomass) such as short-rotation coppice poplar, willow, eucalyptus, miscanthus, switchgrass, reed canary grass, cynara, cardunculus, and other grasses. Such feedstock should be certified for sustainable sourcing by credible organizations such as Roundtable on Sustainable Biomaterials (RSB),[23] Roundtable on Responsible Soy (RTRS),[24] Forest Stewardship Council (FSC),[25] or International Sustainability and Carbon Certification (ISCC Plus).[26] ► Excludes animal fats, oil and other processing products and animal manure from small-scale operations and industrial-scale livestock operations. ► Eligible projects are required to undergo environmental and social impact assessments and assessments for any significant controversies.

[23] RSB, at: https://rsb.org/certification/
[24] RTRS, at: https://responsiblesoy.org/?lang=en
[25] FSC, at: https://fsc.org/en/fsc-standards
[26] ISCC, at: https://www.iscc-system.org/

	Manufacture of components or technology related to renewable energy generation	► Manufacturing facilities dedicated to producing equipment and technologies for renewable energy generation, including energy storage, and transmission and distribution infrastructure dedicated to renewable energy. ► Eligible renewable energy projects are required to meet the relevant criteria under the Renewable Energy category. ► We view the above investments under this category to be environmentally beneficial.
Pollution Prevention and Control	Sub-category	Assessment
	Waste prevention and reuse	► Measures to reduce waste, such as setting up waste reuse centres that support reuse, refurbishment or repair of products so they can be put back to use with minimal or no further processing. ► Excludes products specifically used for extraction of fossil fuels or those that rely on fossil fuels.
	Waste collection, processing and treatment	► Measures to increase waste sorting rates, such as setting up waste collection schemes. ► Developing new facilities for waste sorting and treatment (recycling and reuse), including residual waste sorting plants and plastic recycling. Such plants are meant for domestic and industrial residual waste. For expenditures related to plastic recycling, mechanical recycling technologies will be prioritized, and chemical recycling will be deployed only in cases where mechanical recycling has limited feasibility, ensuring that the life cycle emissions intensity of the products recycled through chemical processes is lower than those associated with the life cycle emissions of fossil-based plastics. Additionally, for the recycling of hazardous waste or plastic waste, these activities must be accompanied by robust waste management processes to mitigate the associated risks. Furthermore, the recycled plastic will not be used for the production of single-use plastic. ► Upgrading existing waste management facilities to improve efficiency or capacity. Eligible waste inputs for such waste processing facilities include plastics, scrap metal, organic waste, glass, timber, paper, cardboard and e-waste and exclude products specifically used for the extraction of fossil fuels or those that rely on fossil fuels. ► Eligible e-waste processing facilities are required to be accompanied by robust waste management policies and processes. ► All eligible projects support source segregation. ► We view the above investments to be environmentally beneficial.

Environmentally Sustainable Management of Living Natural Resources and Land Use	Sub-category	Assessment
	Environmentally sustainable management of living natural resources and land use projects	► Regeneration of natural ecosystems, such as forest protection or environmentally sustainable forestry, including permanent afforestation or reforestation of non-native land into indigenous forestry. Such projects must be accompanied by a sustainable management plan and be certified by the Forest Stewardship Council (FSC),[27] Programme for the Endorsement of Forest Certification (PEFC)[28] or Sustainable Forestry Initiative (SFI) for the duration of the GS Loan.[29] Tree species used for afforestation projects must also be well adapted to the site conditions. ► Preservation or restoration of natural landscapes, such as those that support the management of soil and biomass for carbon sequestration, erosion control and improved soil health. Such projects must not be related to the contamination or negative environmental externalities of the Borrower's activities. ► Agroforestry projects and products with ongoing certifications from BioGro[30] or the AsureQuality Organic Certification.[31] ► Preservation, conservation or restoration of natural landscapes, waterways and seas to increase or protect ecosystem services. Examples of expenditures include wetland and ecosystem restoration or establishing protected sites. ► Implementation of sustainable land practices, such as converting an area into green space or prioritizing ecosystem restoration. This excludes projects related to ecological compensation where land-use changes that cause adverse effects on biodiversity and ecosystem services are compensated by providing new values in another area. These activities may include afforestation projects with FSC, PEFC or SFI certifications using tree species that are well-adapted to site conditions. In addition, such projects require the Borrowers to provide information on nature, climate and environmental risks, which could also include risk and vulnerability assessment if available. Based on the above, we note that investments are directed towards projects with positive biodiversity outcomes. ► Protection of natural ecosystems or pollution prevention in natural ecosystems, including: i) improving filtration systems of stormwater infrastructure to prevent spread of microplastics; and ii) mitigating water pollution, improving water quality and strengthening of biological diversity of water at ports, seas, rivers and water courses, such as the management of toxic algae blooms. Borrowers that finance such projects will not be

[27] FSC, "Document Centre", at: https://connect.fsc.org/document-centre
[28] PEFC, "Standards and Implementation", at: https://pefc.org/standards-implementation/standards-and-guides
[29] SFI, "Standards" at: https://forests.org/standards/
[30] BioGro, "Organic Certification Programmes" at: https://www.biogro.co.nz/organic-certification-programmes
[31] AsureQuality Kaitiaki Kai, "AsureQuality Organic Certification" at: https://www.asurequality.com/services/auditing-and-certification/asurequality-organic-certification/

		responsible for the contamination or negative environmental externalities these projects are intended to address. ► Excludes the use of synthetic or chemical pesticides, herbicides or weedicides. ► There will be no double counting of allocation and impact under this category and the Terrestrial and Aquatic Biodiversity Restoration, Conservation and Enhancement category. ► We view the investments under this category to be environmentally beneficial.
Climate Change Resilience and Adaptation	Sub-category	Assessment
	Climate-resilient infrastructure, nature-based solutions and ICT technologies	► Protection of buildings, facilities, infrastructure and cultural sites from the adverse impacts of climate change and natural disasters. Such projects may include: i) the installation of stop banks (compacted earth banks) to contain the power of rivers and streams in flood; ii) preventing floodwater spread into land and property up to a designed limit; iii) natural coastal sea walls (using boulders); iv) raising the buildings off the ground; and v) targeting planting of native grasses and trees to help with erosion and landslips. ► Nature-based solutions to add climate resiliency to local systems. This may include surface runoff management projects, such as open streams, flood bypasses and local surface runoff disposal measures through artificial swales. ► Projects related to emergency preparedness measures and installation of support systems, including climate observations, early-warning systems to protect against natural disasters, such as floods, avalanches, landslides and storm surges. ► For all climate-resilient infrastructure projects under this category, Borrowers are required to: i) conduct vulnerability assessments to analyze climate impacts and potential risks and must also have an adaptation plan that explains how these risks will be addressed; and ii) where applicable, have monitoring processes and measures in place to ensure periodic impact assessments are conducted over the lifespan of the investment in order to implement the evolving requirements due to changes in climatic conditions. ► Eligible projects are required to conduct risk assessments, which include: i) current weather variability; ii) future climate change, including uncertainty; iii) analysis of climate data and projections for future scenarios; and iv) management response plan.

	► Excludes projects that: i) support or obstruct other environmental objectives, such as harm to ecosystems and biodiversity or increase flood risk elsewhere; and ii) are carbon intensive or support fossil fuel-related activities. ► We view these investments to be environmentally beneficial.
Relocation of infrastructure and communities	► Investments in relocation of infrastructure and communities in New Zealand as a preventative measure to protect against climate-related impacts. Such projects may include: ► Investments related to the buyout of public and private properties in areas where climate risks cannot be adequately mitigated or managed, where the expenditures will be limited to the cost of purchasing the replacement residential homes. The property valuation will be determined by the central government and the affected council, which may include a pre-weather event to determine the market valuation. In addition, the repurposed land that is acquired through the buyout of public and private properties will be used for projects such as stream daylighting or creation of a sports field. ► Relocation of infrastructure may include deconstruction and reconstruction in the new location or replacement of essential infrastructure that is managed by councils, such as wastewater treatment plants, water pipe networks, public transport links, council-owned community facilities and newly constructed buildings. Such projects will align with New Zealand's National Adaptation Plan.[32] ► Financing will also include the purchase of land to relocate communities. ► All relocation of infrastructure and communities' projects will be: i) targeted to areas where climate-related risks cannot be mitigated or managed, making relocation the only feasible option; ii) assessed on a case-by-case basis. The councils will need to demonstrate that they have considered other options, and that relocation of infrastructure or communities is the only feasible solution; and iii) undergo a climate risk and vulnerability assessment to guide relocation decisions. ► We view such expenditures primarily result in social benefits even though they are rooted in climate-related issues, since relocating critical assets would support the affected population to continue to receive essential services and address immediate social needs. Hence, we view such expenditures to be better suited under a social financing rather than a green financing.

[32] New Zealand Government, "Adapt and thrive: Building a climate-resilient New Zealand- First National Adaptation Plan", (2022), at: https://environment.govt.nz/assets/publications/climate-change/MFE-AoG-20664-GF-National-Adaptation-Plan-2022-WEB.pdf

Terrestrial and Aquatic Biodiversity Restoration, Conservation and Enhancement	Sub-category	Assessment
	Terrestrial and aquatic biodiversity restoration, conservation and enhancement	► Prevention of the following: i) loss or degradation of ocean biodiversity, mangrove forests and coastal wetlands; ii) habitat loss and degradation; and iii) unsustainable harvesting of species. Such projects may be related to habitat protection and prevention of degradation from human activities, such as trawling and dredging through monitoring and policing using equipment such as cameras, drones or alarms. ► Safeguarding or developing protected terrestrial and marine areas and systems, forest conservation or reducing emissions from deforestation and forest degradation (REDD) projects. Tree species used for afforestation projects must be well adapted to the site conditions and will include sustainable management plans and FSC, PEFC or SFI certifications, where applicable. Certifications will be maintained during the duration of the GS Loan, where applicable. ► Protection of life-supporting capacity of ecosystems by avoiding, remedying or mitigating the adverse effects of activities, substances and introduced species on the functioning of natural ecosystems. Borrowers that implement remediation projects (e.g. soil remediation) will not be the polluting entity that has caused the need for such remediation projects. ► Protecting areas of indigenous vegetation and habitats of indigenous fauna, including significant natural areas,[33] through native reforestation projects and native nurseries. ► Preventing habitat loss and degradation due to unsustainable harvesting of species, climate change, invasive species and pollution. Examples include: i) monitoring forestry for disease, such as Kauri dieback;[34] ii) protection of endangered native species; iii) protected reserves or land development restrictions; and iv) afforestation and reforestation of landscapes, such as wetlands and coastlands. ► Restoration of bogs, wetlands and marine and terrestrial habitats. ► Improving the resilience of Indigenous terrestrial or aquatic biodiversity. Examples include partnerships with local iwis to enhance the indigenous biodiversity through a combination of conservation efforts, ecological restoration and community engagement. ► Improving or strengthening the biodiversity of land and water ecosystems. Examples include additional conservation and protection efforts to

[33] Significant natural areas are areas of significant indigenous vegetation of significant habitat of indigenous fauna identified by terrestrial authorities during district-wide assessments in New Zealand.
New Zealand Government, Ministry of the Environment, "National Policy Statement for Indigenous Biodiversity 2023", (2024), at: https://environment.govt.nz/assets/publications/NPSIB-amended-october-2024.pdf

[34] Kauri dieback disease is a soil-based pathogen that infects and kills kauri trees, which are significant tree species in New Zealand, through their roots.
New Zealand Government, Department of Conservation, "Kauri dieback disease", at: https://www.doc.govt.nz/nature/pests-and-threats/diseases/kauri-disease/

		strengthen ecosystems and the introduction of new species. LGFA will assess whether the new species introduced are aligned with: i) relevant sustainable management plans or regional biodiversity plans; ii) the New Zealand National Policy Statement for Indigenous Biodiversity,[35] which sets requirements related to the introduction of new species to enhance indigenous biodiversity, manage invasive species and protect native species; and iii) sustainability certifications, where applicable. ► Plant management strategies, including weed control, invasive species eradication plans and monitoring forestry for disease, excluding animal pest management activities. ► Borrowers will be required to submit: i) an analysis and baseline inventory of core indigenous habitats, vegetation types or species that require protection; ii) the size, location and relative contribution the area makes to protecting indigenous biodiversity; iii) supporting technical reports, such as environmental impact or ecological assessments; and iv) data and method calculation protocols used to measure impact. Projects in this category must also support the New Zealand National Policy Statement for Indigenous Biodiversity[36] or the relevant regional biodiversity strategy. ► There will be no double counting of allocation and impact under this category and the Environmentally Sustainable Management of Living Natural Resources and Land Use category. ► Excludes the use of synthetic or chemical pesticides, herbicides and weedicides. ► We view investments under this category to be environmentally beneficial.
Circular Economy Adapted Products, Production Technologies, Processes and Business Models	Sub-category	Assessment
	Circular economy adapted products, production technologies, processes and business models	► Circular economy adapted products, production, processes and business models and certified-eco-efficient products, such as the design and introduction of reusable, recyclable and refurbished materials, components and products, and circular tools and services. ► For all projects under this category, Borrowers are required to include key performance indicators and a waste management plan that demonstrate the impact of the project and how it will support a circular economy, respectively. Borrowers are also expected to obtain at least one of the following ISO standard certifications: i) ISO 59040 on product circularity data sheets;[37] ii) ISO 59004 on vocabulary, principles and guidance for circular economy implementation;[38] iii) ISO 59010 on guidance for the transition of business models and value networks; [39] or iv) ISO 59020 on

[35] New Zealand Government, Ministry of the Environment, "National Policy Statement for Indigenous Biodiversity 2023", (2024), at: https://environment.govt.nz/assets/publications/NPSIB-amended-october-2024.pdf
[36] New Zealand Government, Ministry of the Environment, "National Policy Statement for Indigenous Biodiversity 2023", (2024), at: https://environment.govt.nz/assets/publications/NPSIB-amended-october-2024.pdf
[37] ISO, "ISO 59040:2025 Circular economy – Product circularity data sheet", (2025), at: https://www.iso.org/standard/82339.html
[38] ISO, "ISO 59004:2024 Circular economy – Vocabulary, principles and guidance for implementation, (2024), at: https://www.iso.org/standard/80648.html
[39] ISO, "ISO 59010:2024 Circular economy – Guidance on the transition of business models and value networks, (2024), at: https://www.iso.org/standard/80649.html

	measuring and assessing circularity performance.[40] ► There will be no double counting of allocation and impact for all activities under this category and the Pollution Prevention and Control category. ► Excludes projects associated with energy recovery or waste-to-energy. Projects dedicated to products and components specifically for use in the extraction of fossil fuels or that inherently rely on fossil fuels will also be excluded. ► We view the above investments to be environmentally beneficial.
Product design	► Rethinking the design of products and their use, including the design of multi-functional products through a focus on reuse through sharing. ► Projects, products and assets that aim to design out waste and pollution, maintain the utility and value of materials and products for as long as possible while minimizing the need for materials and other resource inputs, such as energy, water and land. ► We consider the above investments to be environmentally beneficial.
Product use, reuse and recycling	► Increasing long-term value retention or value recovery and reprocessing waste into new products or materials. ► Design, development, sustainable production or use of materials, components and products that are reusable, recyclable or certified compostable. The use of materials could include bio-based materials, which would be sustainably sourced and require credible sustainability certifications, where applicable. This also involves the production of plastic materials in primary form, where: i) inputs will be at least 90% recycled, renewable or bio-based; ii) produced resins are not intended to be sold to single-use plastic packaging producers; and iii) recycling may be based on mechanical recycling or chemical recycling with life cycle emissions lower than fossil fuel counterparts. ► Sorting and recycling technologies and infrastructure, technologies that turn waste streams into commercially viable products or regenerative practices. ► For the recycling of e-waste and plastics, such technologies and infrastructure will need to be accompanied by a robust waste management system to manage associated environmental and social risks. ► The recycling of plastics will be based on mechanical recycling. Where there is no other alternative, this may also include chemical recycling, which will require life cycle GHG emissions to be lower than fossil fuel

[40] ISO, "ISO 59020:2024 Circular economy – Measuring and assessing circularity performance", (2024), at: https://www.iso.org/standard/80650.html

	counterparts and the management of any adverse impacts. Additionally, the recycled plastics will not be sold to single-use plastic packaging producers. ► Circular approaches to transport, including end-of-life vehicle reuse and recycling or multi-modal integrated public transport. Financed vehicles will need to align with the Clean Transportation eligibility criteria under the Framework. ► We view the above investments to be environmentally beneficial.
Circular economy tools	► Digital technologies that enable circular economy business models and engineering and construction, including material passports and predictive maintenance. We view these investments to be environmentally beneficial. ► Circular support through tools and services that enable circular economy strategies and business models, such as education platforms to promote and enable circular solutions, online platforms that offer insights on how to design products that promote circularity or sharing platforms and digital infrastructure or software to enable reuse or sharing. Examples of digital infrastructure or software could include the development of artificial intelligence, blockchain technology or machine learning to support these platforms. We note that the use of blockchain technology could help to automate circular transactions, remove intermediaries and increase security and traceability, which could lead to increased user trust in sharing platforms to enable reuse or sharing.[41] Recognizing the potential value of blockchain technology in enabling circularity, we nonetheless note that blockchain technology has a significant carbon footprint due to its energy-intensive process of verifying transactions and creating new blocks on the blockchain.[42]
Product repair and remanufacture	► Design and production of components, products and assets that support a circular economy by increasing the functionality, durability, modularity and ease of repair. ► Production of new products or assets from redundant products and assets that have been repurposed, refurbished or remanufactured. ► Development and sustainable production of new materials from secondary raw materials, byproducts or waste. ► Eligible projects are required to have a waste management plan to ensure that the product's materials and components: i) have not been reused in the same product or reused elsewhere; ii) where reuse is not possible, are recycled; or iii) where reuse and recycling are not viable, are disposed of in accordance with applicable national legislations. Such checks will be done annually throughout the life of the GS Loan.

[41] NASDAQ, "Blockchain Solutions Are Changing the Sharing Economy", (2018), at: https://www.nasdaq.com/articles/blockchain-solutions-are-changing-sharing-economy-2018-05-18

[42] NASDAQ, "The Environmental Impact of Blockchain Technology", (2023), at: https://www.nasdaq.com/articles/the-environmental-impact-of-blockchain-technology

		► Refurbished or remanufactured products are also required to meet a generally accepted specific international standard and retain a substantial proportion of their original components, materials or parts. ► We view the above investments to be environmentally beneficial.
Affordable Basic Infrastructure	Sub-category	Assessment
	Basic Telecommunications, Sewers, Sanitation and Clean Drinking Water and Transport	► Development and expansion of basic communication infrastructure such as internet coverage, fibre network, mobile phone connectivity to areas and groups with limited connectivity or that lack access to these services. Target areas are defined as locations outside specified fibre zones[43] that lack access to high-speed internet.[44, 45] ► Construction of infrastructure projects to improve and increase public access to: i) adequate sewer and sanitation systems; and ii) safe, reliable and affordable drinking water, including measures to improve drinking water quality. Such projects will be exclusively financed in regions that either have limited access to sanitation facilities or where more than 20% of the population receives drinking water that does not meet drinking water standards.[46] ► Financing low-emission transportation vehicles, such as buses, that meet the criteria under the Clean Transportation category to improve transportation connectivity and provide access to socio-economically disadvantaged people or to populations living in remote areas that lack access to public transportation services. ► Investments in basic infrastructure to provide equitable access to public transportation that meet the criteria under the Clean Transportation category for socio-economically disadvantaged individuals, people with disabilities, aging populations or those living in remote areas. This includes extending bus and rail networks and developing pedestrian infrastructure. ► Pedestrian infrastructure will be limited to the development or upgrade of sidewalks for public use; bridges and tunnels to increase access of pedestrian to community facilities such as metros and parks. ► Excludes: i) desalination projects; ii) the treatment of water from fossil fuel operations; and iii) sanitation and drinking water facilities that have dedicated on-site fossil fuel power sources; iv) the development or maintenance of major roads and highways. ► We view the investments under this category to be socially beneficial.

[43] Commerce Commission, "2023 Telecommunications Monitoring Report- Summary", at: https://comcom.govt.nz/__data/assets/pdf_file/0032/361958/2023-Summary-Version-Telecommunications-Monitoring-Report-15-August-2024.pdf.
[44] New Zealand Ministry of Business, Innovation and Employment, "Broadband and mobile programmes", at: https://www.mbie.govt.nz/science-and-technology/it-communications-and-broadband/digital-connectivity-programmes/broadband-and-mobile-programmes/#:~:text=It%20will%20see%20around%2087%25%20of%20New%20Zealanders%2C,the%20social%20and%20economic%20benefits%20of%20faster%20broadband.
[45] Enable, "Support for Rural and Remote Areas with No or Poor Internet Connectivity", https://www.enable.net.nz/blog/support-for-rural-and-remote-areas-with-no-or-poor-internet-connectivity/.
[46] The New Zealand Water and Wastes Association Waiora Aotearoa, "Poor Drinking Water Safety Findings Reflect Long Term Lack of Investment", (2022), at: https://www.waternz.org.nz/Story?Action=View&Story_id=1683#

Access to Essential Services	Sub-category	Assessment
	Education and vocational training	► Acquisition and development of infrastructure, programmes, training facilities and services related to childcare, educational and vocational training that are accessible to targeted populations. ► Projects that enhance access and inclusion of minority groups in education and vocational training programmes. Examples include projects to improve access to affordable childcare centres for disadvantaged minority groups.[47] Minority groups are defined as per 2014 New Zealand General Social Survey, which recognizes minority groups based on gender, race or ethnicity, religion, whether mentally challenged or a new migrant.[48] ► Eligible facilities, services and programmes must be accessible to all, i.e. free, affordable or subsidized. ► We consider the above targeting to be socially beneficial by increasing access to educational and vocational training for disadvantaged ethnic minority groups of New Zealand. Additionally, while we recognize the importance of providing subsidized education and vocational training, we consider the provision of free education and vocational training that is accessible to all regardless of the ability to pay to be the most socially beneficial.

Affordable or Social Housing	Sub-category	Assessment
	Affordable housing	► Construction and provision of housing at a significantly lower cost than the market and/or that supports owners or tenants to overcome barriers to access housing, such as progressive home ownership (PHO) models or schemes[49] to address financial barriers to home ownership, including rent-to-buy, shared equity and papakainga,[50] often in partnership with iwis, government entities or charitable organizations. ► We note that PHO schemes provide financing to construct and provide housing or support owners or tenants who are lower to median income and primarily target socio-economically disadvantaged and ethnic minority Groups in New Zealand, including three priority groups: Māori, Pacific peoples and families with children. PHO schemes also ensure financial and social benefits to such groups through: i) reasonable degree of flexibility in its funding approach; ii) working with PHO providers to ensure financially informed and equitable access to housing; iii) funding a 15-year interest-free loan; and iv) the Māori and Iwi Housing Innovation (MAIHI) Framework, which ensures that households are empowered to achieve their housing

[47] Auckland Council, "Kauri Kids: A place that feels like home", at: https://ourauckland.aucklandcouncil.govt.nz/news/2017/06/kauri-kids-a-place-that-feels-like-home/
[48] New Zealand Ministry of Social Development, "The Social Report 2016", p. 308, at: https://socialreport.msd.govt.nz/documents/2016/msd-the-social-report-2016.pdf
[49] New Zealand Ministry of Housing and Urban Development, "Progressive Home Ownership Fund", at: https://www.hud.govt.nz/our-work/progressive-home-ownership-fund/
[50] Papakainga refers to housing development projects or housing for Māori.

aspirations through bespoke solutions with flexibility in the approach.[51]

- To ensure avoidance of risks related to predatory lending and over-indebtedness, the PHO model includes: i) rental and ownership affordability guidance through financial modelling tools to indicate affordability levels;[52] and ii) the due diligence criteria requires the PHO products of PHO providers to be certified as "not oppressive" as defined in the Credit Contracts and Consumer Finance Act 2003.[53]
- We note that the income criteria for an eligible household under the PHO schemes is capped at NZD 150,000 (USD 90,664) as per the Progressive Home Ownership Fund – Investment Framework, which is above the median income of New Zealand at NZD 105,278 (USD 62,875) as of June 2024.[54,55] The cap for eligibility is commensurably higher for multi-generational households or extended households.[56] However, LGFA has set a criterion to target beneficiaries from low- and moderate-income-and-asset households below the New Zealand median income threshold.
- Additionally, such affordable housing will be priced accordingly to ensure that the beneficiaries spend no more than 30% of their gross income on rent, mortgages cost and other essential household costs.
- We consider the above affordability mechanisms to be socially beneficial in lowering barriers to accessing affordable housing. Additionally, while we recognize the potential value of offering affordable housing to moderate-income households, we consider the targeting of low-income populations, defined at or below 80% of median income, to be the most socially beneficial.

[51] The PHO model includes varied financial benefits and follows Māori and Iwi Housing Innovation Framework for Action principles (MAIHI) to ensure households are empowered to achieve their housing aspirations through bespoke solutions with flexibility in the approach. New Zealand Ministry of Housing and Urban Development, "Progressive Home Ownership Fund – Investment Framework", at: https://www.hud.govt.nz/assets/Uploads/Documents/Investment-Framework_January-2022.pdf

[52] New Zealand Ministry of Housing and Urban Development, "Progressive Home Ownership Fund – Financial Modelling", https://www.hud.govt.nz/our-work/progressive-home-ownership-fund/

[53] New Zealand Ministry of Housing and Urban Development, "Due Diligence Criteria", https://www.hud.govt.nz/assets/Uploads/Documents/Due-diligence-criteria.pdf

[54] New Zealand Ministry of Housing and Urban Development, "Progressive Home Ownership Fund – Financial Modelling", https://www.hud.govt.nz/our-work/progressive-home-ownership-fund/

[55] Stats NZ, "Household income and housing-cost statistics: Year ended June 2024", (2025), at: https://www.stats.govt.nz/information-releases/household-income-and-housing-cost-statistics-year-ended-june-2024/

[56] New Zealand Ministry of Housing and Urban Development, "Progressive Home Ownership Fund – Investment Framework", at: https://www.hud.govt.nz/assets/Uploads/Documents/Investment-Framework_January-2022.pdf

Social housing	► Construction of registered social housing facilities, including Community Housing Providers and low-cost housing. This will be targeted at eligible Priority A and Priority B applicants[57] in line with the New Zealand Ministry of Social Development (MSD) Housing Register criteria, which covers tenants who are typically low income and reliant on benefits as a significant source of income (i.e., tenants should not pay more than 30% of their income on rent).[58] ► Facilities must adopt rent caps and affordability thresholds for social housing set by the MSD.[59, 60] ► We view the above investments to be socially beneficial.

[57] Priority A and B applicants are those that have been identified as at risk or in serious housing need, respectively, by the New Zealand Ministry of Social Development (MSD). MSD uses the Social Allocation System, which is an assessment tool to process applications for social housing and ensures that social housing is available only to those in the highest need without alternative housing options. The Social Allocation System assesses applications based on five criteria: i) adequacy – if the applicant needs accommodation or needs to move from their current accommodation due to specific difficulties, including overcrowding or the lack of basic facilities or security; ii) suitability – need to move due to medical, disability or personal needs or other forms of violence; iii) affordability – ability to afford alternative and suitable housing in the private market; iv) accessibility – ability to access and afford suitable and adequate housing as a result of discrimination, lack of financial means to move and availability of alternative, affordable suitable housing in the market; and v) sustainability – financial management difficulties and difficulties in social functioning.
New Zealand Ministry of Social Development, "Official information responses", at: https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2022/june/14062022-requesting-the-requirements-of-priority-a-and-b-of-the-housing-register-point-system-and-how-these-assessments-are-made.pdf
[58] New Zealand Ministry of Social Development, "Housing Register", at: https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/housing/index.html
[59] New Zealand Ministry of Social Development, "Calculating your rent payments", at: https://www.workandincome.govt.nz/housing/live-in-home/live-in-public-housing/calculating-rent-payments.html#null
[60] New Zealand Ministry of Social Development, "Official information responses", at: https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2022/june/14062022-requesting-the-requirements-of-priority-a-and-b-of-the-housing-register-point-system-and-how-these-assessments-are-made.pdf

Project Evaluation and Selection

- The GS Loan Criteria, as part of the GS Loan application process, requires the Borrowers to provide information specific to each use of proceeds category with respect to projects or assets meeting the GS Loan Criteria. The GS Loan Criteria requires the Borrowers to provide documentation evidence to verify alignment against GS Loan Criteria.
- The loan applications are assessed by LGFA's management team, and then presented at a session of the Sustainability Committee before a final recommendation is made by the Sustainability Committee for approval by LGFA's Chief Executive. This process ensures appropriate evaluation and selection of eligible projects as per the GS Loan Criteria at the Borrower level, which also encompasses eligibility reporting (See Reporting section below).
- The Framework requires assessment of any potential negative social and/or environmental impacts from the GS Loans, including mitigation measures to these impacts, which applies to the GS Loan Criteria requiring the Borrowers to identify and mitigate environmental risks associated to the use of proceeds through Borrower level management systems or internal processes. The GS Loan Criteria, as part of its application process, inquires on the processes by which the Borrower identifies and manages perceived, actual or potential environmental and social risks associated with the relevant project. Based on the delegation of responsibility and the presence of adequate environmental and social risk management processes, we assessed the project evaluation and selection mechanism set out in the GS Loan Criteria as aligned with the Use of Proceeds Loans Principles.

Management of Proceeds

- The GS Loan Criteria require the Borrowers to: i) use the net proceeds of the GS Loan to finance or refinance green and/or social assets; ii) ensure that the project or asset financed or refinanced continuously meet the eligibility criteria outlined in the GS Loan Criteria; and iii) provide evidence on LGFA's request that the value of expenditure on the the green and/or social projects or assets as per the GS Loan Criteria, is aligned with the principal amount of the GS Loan.
- The GS Loans are provided for a specific eligible funding need or project, where Borrowers will apply for a GS Loan from LGFA. Furthermore, the Borrower must apply an amount at least equal to the aggregate principal amount of the GS Loan to the project. Moreover, as part of annual reporting commitments, the Borrowers must include confirmation on the allocation of GS Loan proceeds to the projects under the GS Loan Criteria in a given financial year. Thus, the proceeds are not expected to remain unallocated.
- In cases where proceeds are unallocated, the Borrowers usually invest the proceeds in line with their treasury policy and most of the council treasury policies include money market deposits and cash as approved instruments for short-term or temporary investments. The GS Loan Criteria requires additional conditions to ensure appropriate management of proceeds, which are also included in each loan term, such as: i) notification regarding any changes in the project;

ii) early redemption conditions; and iii) annual reporting on projects.[61] The Borrowers are required to report unallocated proceeds, if any, as part of allocation reporting.

- The Borrower is expected to exercise oversight on the management of loan proceeds. LGFA will also work with the Borrower's designated overseer. LGFA will also work with the Borrower's overseer of the management of proceeds. Moreover, LGFA expects the Borrower to track the proceeds in line with existing internal systems and processes used to track proceeds similar to other borrowings that they undertake. Considering the above, we note that the GS Loan Criteria does not require Borrowers to have dedicated internal processes for managing proceeds of GS Loan, because the projects are not prefunded, and the loan proceeds are drawn down exclusively for financing or refinancing eligible green and social projects. Moreover, Borrowers follow existing internal mechanisms to track loan proceeds appropriately, which is also ensured by LGFA's loan application process and exclusive eligible project financing process per se.
- Nevertheless, we note that upon LGFA's request, the Borrower is required to provide any other information to verify the evidence regarding the Borrower's compliance with the relevant eligibility criteria. Based on the above, we note that the Borrowers will also report on the type of temporary proceeds (if any) and inform LGFA on the internal tracking systems, when requested by LGFA as stipulated in the GS Loan Criteria.
- Based on the requirements for Borrowers to ensure tracking, overseeing and managing proceeds, we consider the GS Loan Criteria's processes to manage GS Loan proceeds at Borrower level to be aligned with the Use of Proceeds Loan Principles.

Reporting

- The GS Loan Criteria require the Borrowers to annually report on allocation and impact of net proceeds of GS Loans borrowed and disclosed to LGFA.
- The Borrowers are required to report the breakdown of notional allocation of the net proceeds of GS Loans to green and/or social projects, including the project description, recorded project value, amounts disbursed as part of allocation reporting and unallocated proceeds.
- The GS Loan Criteria also requires Borrowers to provide eligibility reporting to confirm that the projects continue to meet the green and/or social use of proceeds criteria outlined in the GS Loan Criteria.
- Furthermore, the Borrowers are required to report on the impacts of projects based on agreed impact indicators. The Borrowers are required to report on at least one KPI per use of proceeds category or, where applicable, report on one KPI at each project level. Examples of impact indicators include: i) annual energy savings (in MWh or GWh); ii) annual GHG emissions reduced or avoided (in tCO_2e); iii) increase in area under sustainable forest management (in ha); iv) number of individuals or households benefiting from access to basic infrastructure; and v) number of affordable housing dwellings provided or retrofitted.
- LGFA may decide to declassify a GS Loan and declare it immediately due and payable in the event the relevant project no longer meets the relevant eligibility criteria or the ongoing qualification and reporting requirements have not been met.

[61] The Borrower must notify LGFA if a project does not satisfy the relevant eligibility criteria if the nature of the project changes, or if LGFA determines the project no longer satisfies the relevant eligibility criteria. In such a scenario, the loan is immediately declared due and payable (early redemption), i.e. declassified as a GS Loan.

- We consider the reporting commitments and processes required at the Borrower level under the GS Loan Criteria to be aligned with the Use of Proceeds Loan Principles.

Alignment of CAL Criteria with the SLLP

LGFA Sustainable Financing Bond Framework

In line with the CAL Criteria, LGFA intends to originate CALs, which are target-based incentive lending structures, and thus are sustainability-linked loans in nature and structure. LGFA intends to link the financial considerations of the CALs to the achievement of the SPTs for two KPIs: i) Absolute gross scope 1 and 2 GHG emissions (tCO_2e) and ii) Absolute gross scope 3 GHG emissions (tCO_2e). KPIs 1 and 2 will always be used jointly in all CALs. Borrowers are required to establish scope 3 targets covering their entire value chain within two years from when the Borrower is first approved by LGFA to enter into CALs, if such targets have not already been adopted. Failure to achieve the SPTs, including the failure to establish scope 3 targets, results in declassification from the CAL Programme, rendering the Borrower ineligible to apply for a new CAL until LGFA is satisfied (in its sole discretion) that the Borrower and the declassified CAL meet the eligibility Criteria.

We have assessed the CAL Criteria as partially aligned with the intent of the SLLP, and prospective CALs under the CAL Criteria are in line with the intent of four of the five core components of the SLLP. We consider that the CAL Criteria are not aligned with the SLLP's loan characteristics component (Component 3 of the SLLP), while recognizing the mechanism of declassification from the Programme to be an impactful incentive to achieve ambitious decarbonization targets.

LGFA published the LGFA Sustainable Financing Bond Framework in March 2023, for which Sustainalytics provided a Second Party Opinion. The LGFA Sustainable Financing Bond Framework dated September 2025 (under review in the current Second Party Opinion) updates the referred 2023 Framework's CAL Criteria with added scope 3 emissions reduction targets in line with a 1.5°C science-based scenario across the Borrower's full value chain.

KPI	Baseline	KPI Strength	SPT	SPT Ambitiousness
KPI 1: Absolute gross scope 1 and 2 GHG emissions (tCO_2e)	n/a[62]	Very Strong	SPT 1: Reduction in absolute gross scope 1 and 2 GHG emissions in line with a 1.5°C science-based scenario	Highly Ambitious
KPI 2: Absolute gross scope 3 GHG emissions (tCO_2e)			SPT 2: Reduction in absolute gross scope 3 emissions across the Borrower's full value chain in line with a 1.5°C science-based scenario	

Selection of Key Performance Indicators

Overall KPI Assessment

KPI	KPI Strength			
KPI 1: Absolute gross scope 1 and 2 GHG emissions (tCO_2e)	Not Aligned	Adequate	Strong	Very Strong
KPI 2: Absolute gross scope 3 GHG emissions (tCO_2e)	Not Aligned	Adequate	Strong	Very Strong

[62] The specific baseline is not applicable for the assessment of CAL Criteria. The Borrowers will have the flexibility to select the baseline year in line with their own ERP, considering the decarbonization journeys of the individual Borrowers. The data for the selected baseline year for each individual Borrower would be verified by a recognized independent third-party.

KPI Definitions

LGFA defines the KPIs as follows:

Table 1: KPI Definitions

KPI	Description
KPI 1: Absolute gross scope 1 and 2 GHG emissions (tCO_2e)	The KPI measures the annual scope 1 and 2 GHG emissions (in tCO_2e) reported by the Borrowers individually for the relevant sustainability reference period.[63] The KPI at the Borrower level is expected to be in line with the GHG Protocol Corporate Standard or ISO 14064 Standard. The scope 1 and 2 GHG emissions of Councils include organizational emissions from the operation of assets and facilities owned and controlled by the Councils. The GHG emission sources of Councils may cover various activities, such as agriculture, energy, transport, waste, water, ~~health,~~ public facilities, etc., depending on the geography and governance structure of the Councils. The emissions sources of CCOs may vary depending on the specific activities that each CCO undertakes.
KPI 2: Absolute gross scope 3 GHG emissions (tCO_2e)	The KPI measures the annual scope 3 GHG emissions (in tCO_2e) reported by the Borrowers individually across their full value chain for the relevant sustainability reference period.[64] The Borrower must consider the exposure of its entire scope 3 value chain, including emissions associated with investments in other entities, such as associates and joint ventures, which are also regarded as part of the Borrower's value chain. The specific scope 3 emission sources may vary depending on the Borrower's operational scope, geography and governance structure.

KPI 1: Absolute gross scope 1 and 2 GHG emissions (tCO_2e)

KPI 2: Absolute gross scope 3 GHG emissions (tCO_2e)

KPIs 1 and 2 collectively address the issue of GHG emissions and, therefore, we have assessed these KPIs jointly.

We have assessed the KPIs 1 and 2 as **Very Strong** given that: i) they speak to a material ESG issue; ii) they are directly related to Councils' and CCOs sustainability performance; iii) they have a high scope of applicability; iv) they follow a clear and consistent methodology with external references; and v) they are comparable to an external contextual benchmark.

Central to our assessment of KPIs are a consideration of their Relevance and Materiality. Here we assess: i) whether the indicator relates to an area of environmental or social impact that is material to the issuer's activities; and ii) to what extent the KPI is applicable. In addition, we assess certain other KPI characteristics, including whether: i) it uses a clear and consistent methodology; ii) it follows an externally recognized definition; iii) the KPI is a direct measure of the issuer's performance on a material environmental or social issue;[65] and iv) performance on the KPI can be compared against an external contextual benchmark.[66]

[63] The CAL Criteria define the sustainability reference period as the preceding 12 months of each year during which the emissions reduction targets (ERTs) or SPTs are measured (being 1 July to 30 June).
[64] The CAL Criteria define the sustainability reference period as the preceding 12 months of each year during which the emissions reduction targets (ERTs) or SPTs are measured (being 1 July to 30 June).
[65] A direct measure refers to a metric selected for the KPI that shows a specific indicator of performance or an outcome on the material ESG issue.
[66] External contextual benchmarks are standards or points of reference established by recognized third-party organizations to facilitate comparability.

Materiality and Relevance

We consider the KPIs under the CAL Criteria to be material and relevant, given that ICMA's sector materiality matrix identifies Climate Change (GHG Emissions and Energy) as a material theme for all sectors.[67] Under their operational boundary, Councils may cover various activities depending on their geography and governance structure, including those related to agriculture, energy, transport, waste, water, ~~health~~ and public facilities. Therefore, the KPI is material and relevant. The role of Councils, local governments and agencies (CCOs) is well recognized in New Zealand's First Emissions Reduction Plan 2022.[68] Although Councils have limited powers without legislative authority, their role in contributing to the country's decarbonization pathway is crucial.

We could not establish specific applicability for the KPIs, given that the CAL Criteria are programmatic and cover a range of Borrowers. Moreover, the activities reported under the scope 1, 2 and 3 GHG emission inventories vary depending on the Councils and the CCOs' geographic locations and governance structures, which influences total GHG emissions. Nevertheless, KPIs 1 and 2 together address the Borrower's scope 1, 2 and 3 emissions across the Borrower's entire value chain. Therefore, we consider the KPIs to have a high scope of applicability (above 50%).

Methodology and Benchmarking

We consider the definition and methodology to calculate the performance of the KPIs to be clear and consistent. The activities reported by different Councils in their respective GHG emission inventories may vary due to the diversity in operations based on geographic location and structural differences in terms of transfer of services to CCOs or other organizations. Nevertheless, both Councils and CCOs are required to obtain external verification of their GHG emissions inventories by a credible verifier to verify reporting in alignment with the GHG Protocol Corporate Standard or ISO14064 Standard.

The Councils report their operational GHG emissions using operational corporate boundaries based on the GHG Protocol Corporate Standard or ISO 14064, instead of geographical boundaries, as the Councils lack powers to legislate, levy taxes and exert influence on GHG emissions. We note that Councils and CCOs report GHG emissions in line with ISO14064 or the GHG Protocol Corporate Standards consistently.

We consider the KPIs to be directly linked to the Borrowers' performance regarding material environmental impact, given that the KPIs target GHG emission reduction activities that are directly under the operational control of Councils and CCOs, as well as activities occurring in the value chain beyond direct operational control.

In addition, the KPIs under the CAL Criteria support benchmarking against external emissions reduction trajectories, such as those developed by the SBTi.

Calibration of Sustainability Performance Targets

Overall SPT Assessment

[67] ICMA, "SLBP – Illustrative KPIs Registry: Sector Materiality Matrix", at: https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/

[68] New Zealand Government, "Towards a productive, sustainable and inclusive economy: Aotearoa New Zealand's First Emissions Reduction Plan", (2022), at: https://environment.govt.nz/assets/publications/Aotearoa-New-Zealands-first-emissions-reduction-plan.pdf

	SPT	SPT Ambitiousness			
	SPT 1: Reduction in absolute gross scope 1 and 2 GHG emissions in line with a 1.5°C science-based scenario	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
	SPT 2: Reduction in absolute gross scope 3 emissions across the Borrower's full value chain in line with a 1.5°C science-based scenario	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious

Past Performance and SPTs

LGFA's past performance and SPTs are as follows:

Table 2: Past Performance and SPTs

KPI	Baseline	SPT 2030, 2035, 2040 or 2050[69]
KPI 1: Absolute gross scope 1 and 2 GHG emissions (tCO_2e)	n/a[70]	SPT 1: Reduction in absolute gross scope 1 and 2 GHG emissions in line with a 1.5°C science-based scenario
KPI 2: Absolute gross scope 3 GHG emissions (tCO_2e)		SPT 2: Reduction in absolute gross scope 3 emissions across the Borrower's full value chain in line with a 1.5°C science-based scenario[71]

Alignment with Issuer Sustainability Strategy

We have assessed the SPTs to be aligned with the New Zealand government's strategy for reducing GHG emissions. LGFA's Statement of Intent (SOI) states Environmental and Social Responsibility as a key strategic priority for improving LGFA's sustainability outcomes and assisting local government in New Zealand in achieving their sustainability and climate change objectives, in line with New Zealand's national decarbonization goals. New Zealand has adopted a national target to reduce net GHG emissions by 50% compared to 2005 levels by 2030, which corresponds to a 41% reduction when managed using a multiyear emissions budget in line with the country's Nationally Determined Contribution (NDC). In this sense, New Zealand's Emissions Reduction Plan complies with the commitments outlined in the NDC. The plan focuses on the role of Councils and CCOs to enable the development of renewable energy infrastructure, improve energy efficiency and support the switch to low-emission fuels and technologies for council-owned buildings and public facilities. Additionally, the plan elaborates Councils' role in engaging with communities, implementing nature-based solutions on the ground and supporting New Zealand's transition to a climate-resilient country. LGFA also requires Borrowers to provide their own emissions reduction plans to reduce operational GHG emissions in line with the science-based trajectory.

Please refer to Issuer Overview and Strategy Section for more details.

[69] The emissions reduction plan (ERP) of the Borrowers will include annual targets for scope 1, 2 and 3 GHG emission reductions and cover short-term 2030 targets, as well as a medium-term target (in line with the 2030 target and beyond, e.g. 2035 to 2040), which will ultimately support the Borrower to achieve its long-term goal of net zero by 2050 (or sooner) and an alignment with the 1.5°C scenario. The SPT years are illustrative to represent typical examples of short-, medium- and long-term targets. For scope 3 targets, the ERP has to be completed within one year from when the scope 3 target is adopted.

[70] The specific baseline is not applicable for the assessment of CAL Criteria. The Borrowers will have the flexibility to select the baseline year in line with their own ERP, considering the decarbonization journeys of the individual Borrowers. The data for the selected baseline year for each individual Borrower would be verified by a recognized independent third-party.

[71] Borrowers are required to establish scope 3 targets covering their entire value chain within two years from when the Borrower is first approved by LGFA to enter into CALs, if such targets have not already been adopted.

SPT 1: Reduction in absolute gross scope 1 and 2 GHG emissions in line with a 1.5°C science-based scenario

SPT 2: Reduction in absolute gross scope 3 emissions across the Borrower's full value chain in line with a 1.5°C science-based scenario[72]

We have assessed SPTs 1 and 2 as **Highly Ambitious** given that the Borrowers' SPTs are expected to align with the science-based targets to reduce scope 1, 2 and 3 GHG emissions, to help limit global warming to 1.5°C and support the achievement of net zero emissions by 2050 in New Zealand.

Baseline

Borrowers have the flexibility to select the baseline year according to their own emissions reduction plan, considering the decarbonization journeys of the individual Borrowers. A recognized independent third-party agency will verify the data for the selected baseline year for each Borrower. We note that it is critical for Borrowers under the CAL Criteria to select the latest reporting year as the baseline year for their emissions reduction plan to ensure accurate and up-to-date data in support of their decarbonization efforts.

Strategy to Achieve the SPT1

Under its CAL Criteria, LGFA requires Borrowers to provide an emissions reduction plan and intends to assess the Borrowers through the following strategy:

- Emissions Reduction Plan (ERP): The Borrowers are required to provide a GHG emissions inventory and an emissions reduction plan to achieve GHG emissions reduction targets[73] in line with a science-based trajectory aligning with the 1.5°C scenario. The plan must include annual targets to reduce scope 1, 2 and 3 GHG emissions, covering short-, medium- and long-term targets with key levers, decarbonization projects, activities, costs and timeframe. For scope 3 targets, the ERP must be completed within one year from when the scope 3 target is adopted. Additionally, LGFA will seek: i) confirmation that the ERP is active and relevant; ii) verified GHG emission inventories; and iii) specific details of any positive or negative changes regarding any aspects of the ERP and inventory levels. LGFA will also conduct annual reviews to review verified inventories and confirm whether a Borrower is on track to achieve its targets. Amendments to the ERPs by the Borrowers must also obtain LGFA's prior written consent, while failure to amend the ERP following LGFA's request may result in a declassification of the CALs.

Ambitiousness

To determine the ambitiousness of an SPT, we consider: i) whether the SPT goes beyond a business-as-usual trajectory; ii) how the SPT compares to targets set by peers; and iii) how the SPT compares with science-based references.[74] Additionally, we assess the strategies outlined to achieve the SPT and how the SPT is aligned with the issuer's overall sustainability strategy.

We could not assess the past performance of the Borrowers using historical data, as it is not feasible to assess past performance for each Borrower as part of assessment of the CAL Criteria. However, LGFA intends to assess the historical data of each Borrower on a case-by-case basis. The

[72] Borrowers are required to establish scope 3 targets covering their entire value chain within two years from when the Borrower is first approved by LGFA to enter into CALs, if such targets have not already been adopted

[73] Under the CAL Criteria, the emissions reduction plan should be reported as a metric based on the reduction in a Borrower's scope 1 and 2 GHG emissions reported for each sustainability reference period against a baseline performance. The CAL Criteria provide up to 24 months flexibility around reporting additional scope 3 GHG emissions to Borrowers that are not already recording and reporting at the time of applying for their initial CAL.

[74] Where possible, we assess targets in relation to science-based benchmarks that correspond to ecosystem boundaries.

historical data would be assessed in comparison with the targeted short, medium- and long-term GHG emissions reduction against the Borrower's historical emissions performance once they are eligible to apply for the CALs as per the CAL Criteria.

We could not assess the performance of the Borrowers' peers, as conducting a peer performance assessment is not feasible given the differences in various factors across Councils and CCOs, including geographical location, administrative nature, and organizational structures and functions, in addition to the lack of data on the set of confirmed Borrowers so far.

In terms of alignment with science, the CAL Criteria require the Borrowers to provide GHG emission inventories and an emissions reduction plan following a science-based trajectory setting short-, medium- and long-term targets for absolute gross scope 1, 2 and 3 GHG emissions in alignment with the 1.5°C scenario and net zero emissions by 2050. Borrowers are required to establish scope 3 targets covering their entire value chain within two years from when the Borrower is first approved by LGFA to enter into CALs, if such targets have not already been adopted. Such scope 1, 2 and 3 GHG emissions reduction targets in line with a 1.5°C scenario may be guided by the Science Based Targets initiative (SBTi) or another recognized third-party assurance firm. The Borrowers are required to provide LGFA with GHG emissions inventories that include verification of GHG management and historical emissions data, along with the intended targets verified by a recognized independent third-party agency on an annual basis. This is intended to ensure the alignment of the short-, medium- and long-term targets with the 1.5°C scenario. Furthermore, CALs would be lent only to public sector entities (Councils and CCOs) under the purview of Audit New Zealand and the Office of the Auditor-General of New Zealand, thus bringing an additional layer of scrutiny from central government entities if the Borrowers deviate from the attested and qualified targets.

Financial Characteristics

Under LGFA's CAL Programme, a Borrower's failure to achieve the SPTs (including failure to establish scope 3 targets covering the Borrower's entire value chain within two years from when the Borrower is first approved by LGFA to enter into CALs, if such targets have not already been adopted) results in the Borrower's declassification from the Programme, making them ineligible for any future CALs that include a financial incentive, until LGFA is satisfied (in its sole discretion) that the Borrower and the declassified CAL meet the CAL Criteria. However, the financial incentive on existing loans remains in place until loan maturity. According to LGFA, a CAL's financial incentive cannot be adjusted within the CAL's term due to accounting standards. LGFA has adopted accrual accounting across its liability and asset portfolios because it best reflects LGFA's low-risk margin-based business model. Introducing a financial penalty, as per LGFA, introduces accounting standards risk that LGFA may be required to mark-to-market CAL assets, which would in turn create a material accounting mismatch between assets and the underlying liabilities funding these assets. We recognize that a primary aim of the CAL Programme is to incentivize Borrowers to achieve ambitious decarbonization targets and consider the mechanism of declassification from the Programme to be an impactful incentive to achieve such targets, especially given that LGFA will publicly report on the

	declassification of Borrowers. Nevertheless, as a penalty on failure to achieve SPT is not linked within the same CAL term but to the future CALs, we have assessed that the programme is technically not aligned with the loan characteristics component of the SLLP (Component 3 of the SLLP), which requires an economic impact linked to the non-achievement of SPTs for existing funding.
Reporting	
	The CAL Criteria require potential Borrowers to annually report to LGFA on its progress on the KPIs within five months after each sustainability reference period.[75] LGFA also reports annually on the overall progress of the KPI, in line with the SLLP. In addition, the CAL Criteria require councils to provide annual confirmation in writing that they are still meeting the targets set in their emissions reduction plan. The latest external emissions inventory verification report must be provided within five months of the Borrower's year-end. The CAL Criteria also require the Borrowers to disclose relevant information that enables LGFA to monitor the level of ambition of the targets set for the specific loan, such as: i) externally verified GHG emissions performance; ii) performance against targets for the sustainability reference period; iii) confirmation on achievement of targets; and iv) summary of progress against a target, which may include status of achievement against short- and medium-term targets; key events that may prevent the achievement of short-term targets; and key actions to be taken to achieve the targets. In addition, in case of future events such as mergers, acquisitions, divestures and disposal of assets, the CAL criteria require Borrowers to report on the following: i) any recalculations, revision to the baseline performance; and/or ii) changes in the target or emissions reduction plan based on agreement with LGFA. Overall, the reporting commitments are aligned with market expectations.
Verification	
	The CAL Criteria require Borrowers to have an external third-party verifier provide limited or reasonable assurance or verification[76] on the SPT annually for each sustainability reference period, which is in line with the SLLP on verification.

[75] The sustainability reference period refers to the preceding 12-month period of each year.
[76] Annual external verification will be based on limited or reasonable assurance.

Assessment of LGFA's Sustainability Strategy

Credibility of LGFA's Sustainability Strategy

LGFA integrates environmental and social responsibility as a key strategic priority, part of a larger organizational objective to improve LGFA's sustainability outcomes and assist local government in New Zealand in achieving their sustainability and climate change objectives.[77] LGFA's sustainability strategy follows the goals of New Zealand's Emissions Reduction Plan, which highlights the role of Councils and local agencies (CCOs) to enable the development of renewable energy infrastructure, improve energy efficiency and support the transition to low-emission fuels and technologies for council-owned buildings and public facilities. New Zealand's Emissions Reduction Plan also elaborates the role of Councils or CCOs in engaging with communities, implementing nature-based solutions on the ground and supporting New Zealand's transition to a climate-resilient country.[78] In addition, LGFA's environmental and social responsibility strategic priorities entail setting decarbonization targets as per the carbon reduction management plan and increasing its green, social and sustainable lending loan book.[79]

LGFA has developed a Sustainability Policy, which recognizes the importance of integrating social, cultural, economic and environmental well-being into its sustainable development approach.[80] In line with this strategic priority, LGFA's sustainability strategy specifically focuses on: i) managing exposure related to sustainability risks; ii) identifying sustainability-related opportunities; iii) improving sustainability-related decision-making across its operations; iv) supporting and enabling the local government sector on climate change action and sustainable practices; and v) preparing the organization for evolving national sustainability programmes.[81] Additionally, LGFA conducted a materiality assessment to identify and prioritize material issues across various ESG pillars, including responsible investment, sustainable business practices, organizational ethics and governance.[82]

Regarding responsible investment, LGFA aims to mobilize capital towards sustainability solutions toward low carbon and green solutions. LGFA also focuses on social financing to address social challenges, such as affordable housing, access to basic infrastructure, education and vocational training for socio-economically disadvantaged communities in New Zealand. As of March 2025, LGFA had already provided sustainable loans amounting to NZD 3.83 billion (USD 2.28 billion), exceeding its target of NZD 2 billion (USD 1.19 billion) by NZD 1.83 billion (USD1.08 billion) for sustainable finance lending by 2025.[83] Furthermore, since 2024, LGFA has been tracking its financed emissions, but is yet to define specific targets for reducing these emissions.[84]

LGFA's Chief Executive and Board of Directors define the overarching sustainability strategy and goals. To support the achievement of these objectives, LGFA established a Sustainability Committee.

[77] LGFA, "Sustainability at LGFA", at: https://www.lgfa.co.nz/sustainability/sustainability-lgfa.
[78] New Zealand Government, "New Zealand's Second Emissions Reduction Plan 2026–30 ," at: https://environment.govt.nz/assets/publications/climate-change/ERP2/New-Zealands-second-emissions-reduction-plan-Summary-of-submissions.pdf
[79] LGFA, "Statement of Intent – 2022-25", at: https://www.lgfa.co.nz/sites/default/files/2022-06/SOI%202022-2025%20FINAL.pdf
[80] LGFA, "Sustainability Policy", (2024), at: https://www.lgfa.co.nz/sites/default/files/2024-05/LGFA%20Sustainability%20Policy%20%28April24%29%20-%20Current_0.pdf
[81] LGFA shared its 2025 Sustainability Strategy with us confidentially.
[82] Ibid.
[83] LGFA, "Sustainable Financing Allocation Report", (2025), at: https://www.lgfa.co.nz/sites/default/files/2025-04/LGFA%20Sustainable%20Financing%20Allocation%20Report%20-%2030%20April%202025%20%28002%29.pdf.
[84] LGFA, "Climate Related Disclosure", (2024), at:https://www.lgfa.co.nz/sites/default/files/2024-08/LGFA-Climate-Related-Disclosures-2024.pdf

The Committee is chaired by a member from the board and includes senior executives from various departments, such as Sustainability, Finance, Credit and Client Relations along with four external appointees. The Committee plays a key role in governing and overseeing LGFA's sustainable financing programmes (GS loans, CALs and bond issuance). The Committee also identifies and manages ESG- and climate-related risks and opportunities, implements measures to address them, develops policies, reviews and recommends new sustainability initiatives, reviews the GS loan and CAL applications before recommending them to LGFA's Chief Executive. LGFA further demonstrates its commitment to transparency by publishing an annual report each year, outlining its sustainability strategy, targets, initiatives and achievements.[85]

LGFA's Environmental and Social Risk Management

We have identified the following areas of environmental and social risk associated with the eligible expenditures and activities to which the KPIs and SPTs defined in the Framework are relevant: i) land use and biodiversity associated with large-scale infrastructure development; ii) effluents and waste generated in construction; and iii) occupational health and safety; iv) over-indebtedness and predatory lending; v) business ethics; and vi) stakeholder engagement. LGFA has taken the following measures to identify and mitigate such risks:

- General risk management measures: LGFA's 'Statement of Intent 2024–2027' (SOI) outlines LGFA's ESG risk identification and management responsibilities and processes. LGFA's Sustainability Committee reviews ESG risks related to its Sustainable Loans and informs LGFA's management and Chief Executive, based on which LGFA's management is expected to identify and manage potential environmental and social risks.[86]
- Land use and biodiversity: New Zealand's Resource Management Act 1991 (RMA) apply to LGFA's Borrowers, which outlines the framework to avoid, remedy or mitigate any adverse effects of activities on the environment, also applies to local governments and agencies. The Act outlines a set of duties and restrictions relating to the use of and activities allowed on land, coastal marine areas, river and lake beds, as well as regulations relating to environmental pollution control, including land, water, soil, noise and air pollution.[87]
- Management of effluents and waste generated in construction: New Zealand's RMA prohibits the discharge of contaminants and hazardous substances into the environment and places restrictions on the dumping and incineration of waste in coastal marine areas without consent or a permit. Any proposed activity requiring consent must undergo a comprehensive impact assessment of the effects of that proposal and demonstrate that all adverse impacts on the environment are identified and that appropriate mitigation measures are developed.[88]
- Occupational health and safety: LGFA's SOI stipulate compliance objectives and targets following New Zealand's Health and Safety at Work Act (2015), which also applies to LGFA. The Act also applies to LGFA's Borrowers. The Act outlines the roles, responsibilities and duties of

[85] LGFA shared its Sustainability Committee Charter with us confidentially.
[86] LGFA, "Statement of Intent 2024–2027", (2024), at: https://www.lgfa.co.nz/sites/default/files/2024-06/LGFA%20Statement%20Of%20Intent-2024-27.pdf
[87] New Zealand Parliamentary Counsel Office, "Resource Management Act 1991 – Version as at 5 April 2025", (2025), at: https://www.legislation.govt.nz/act/public/1991/0069/latest/DLM230265.html
[88] New Zealand Parliamentary Counsel Office, "Resource Management Act 1991 – Version as at 5 April 2025", (2025), at: https://www.legislation.govt.nz/act/public/1991/0069/latest/DLM230265.html

employers, officers, and workers for ensuring health, safety and welfare at the workplace. The Act stipulates requirements for: i) the design, manufacture, installation, use and handling of equipment, substances and structures; ii) worker engagement practices, such as establishing a health and safety committee and conducting regular safety meetings; iii) risk management processes to identify, assess and minimize risks; and iv) recording, reporting and resolving workplace incidents.[89]

- Over-indebtedness and predatory lending: In 2021, LGFA approved its Responsible Investment Policy which commits LGFA to investing responsibly by considering ESG factors in its investment analysis and decision-making processes relating to the management of its liquid assets portfolio. LGFA's Sustainability Committee advises the Chief Executive and the board on sustainability issues, including environmental and social risks in LGFA's operating, borrowing and lending activities. Chaired by a representative of the board and comprising four independent members as at May 2025, the Sustainability Committee reviews, approves and monitors GS Loans and CALs, including the aspects of E&S risks.
- Business ethics: LGFA has established a code of ethics which stipulates measures for ethical business conduct.[90] The code of ethics also provides guidance on compliance with applicable laws and regulations, including the "code of ethical behaviour" of the NZX Corporate Governance Code.[91]
- Stakeholder engagement: LGFA's SOI outlines a key strategic priority for LGFA to set industry leadership and engagement with local government stakeholders on sector and individual council issues.[92]

[89] New Zealand Parliamentary Counsel Office, "Health and Safety at Work Act 2015 – Version as at 5 April 2025", (2025), at: https://www.legislation.govt.nz/act/public/2015/0070/latest/DLM5976660.html
[90] LGFA, "Code of Ethics", (2024), at: https://www.lgfa.co.nz/sites/default/files/2024-08/LGFA%20Code%20of%20Ethics%20%28Aug24%29%20-%20Website.pdf
[91] NZX, "NZX Corporate Governance Code", (2025), at: https://assets.ctfassets.net/m5mydry9e35f/5hUy2w59CjoMYmiSjXftuk/195cb92e65c47890bcbf78af101240c4/2._NZX_Corporate_Governance_Code_1.7_-_January_2025__restricted_.pdf
[92] LGFA, "Statement of Intent 2024–2027", (2024), at: https://www.lgfa.co.nz/sites/default/files/2024-06/LGFA%20Statement%20Of%20Intent-2024-27.pdf

Impact of the Potential Use of Proceeds and SPTs Selected

Importance of Green Buildings in reducing New Zealand's GHG emissions

Investments in green buildings, designed to incorporate sustainability considerations such as lower carbon emissions and improved energy performance, are critical to the decarbonization of the global buildings sector. In 2022, buildings represented 30% of global final energy consumption and 26% of global energy-related GHG emissions.[93] The buildings sector will need to accelerate its decarbonization progress to achieve net zero emissions by 2050, as countries strengthen their building energy codes and minimum performance standards.[94]

In 2023, New Zealand's gross emissions were 76.4 million tonnes of carbon dioxide equivalent ($MtCO_2e$).[95] New Zealand aims to: i) reduce net[96] GHG emissions across its economy by 51% to 55% by 2035 compared to gross 2005 levels;[97,98] and ii) reach net zero (except biogenic methane) by 2050.[99] In 2019, the Climate Change Response Act 2002 was amended[100] to establish the latter target, the progress of which is monitored by the Climate Change Commission through a system of emissions budgets that have been set to achieve the 2050 target.[101] Furthermore, the Emissions Reduction Plan outlines policies and strategies to decarbonize every sector of the economy.[102] As an example, the New Zealand Ministry of Business, Innovation and Employment focuses on reducing building-related emissions to near zero by 2050 through its Climate Change Work Programme.[103]

The building and construction sector accounts for 12% of New Zealand's domestic GHG emissions, comprising operational emissions from energy used to heat, cool and power buildings (9% or 6.7 $MtCO_2e$) and the embodied emissions from construction materials (4% or 2.8 $MtCO_2e$).[104] The Building Research Association of New Zealand notes that the New Zealand Building Code[105] does not currently require buildings to be net zero carbon[106] and recommends two key climate actions: i) increasing building energy efficiency through passive solar design, improved thermal performance, and low carbon fuel options for heating; and ii) reducing embodied carbon in construction materials by using rating or certification tools, including Homestar, NABERSNZ and Green Star.[107] As the

[93] IEA, "Building", at: https://www.iea.org/energy-system/buildings
[94] IEA, "Tracking Buildings", (2023), at: https://www.iea.org/energy-system/buildings#tracking
[95] Ministry for the Environment, "New Zealand's Greenhouse Gas Inventory (1990–2023): Snapshot, (2025), at: https://environment.govt.nz/assets/publications/GhG-Inventory/GHG-Inventory-2025/GHG-inventory-2025-Snapshot.pdf
[96] Gross emissions from all sectors of New Zealand's economy, except for land use, land use change and forestry (LULUCF).
[97] Net emissions represent emissions and removals from all sectors of New Zealand's economy, including the LULUCF sector.
[98] New Zealand Government, "New Zealand's Second Nationally Determined Contribution", (2025), at: https://environment.govt.nz/assets/publications/climate-change/New-Zealands-second-Nationally-Determined-Contribution-Submission-under-the-Paris-Agreement.pdf
[99] Ministry for the Environment, "Emissions budgets and the emissions reduction plan ", (2024), at: https://environment.govt.nz/what-government-is-doing/areas-of-work/climate-change/emissions-reductions/emissions-budgets-and-the-emissions-reduction-plan/
[100] Parliamentary Counsel Office, "Climate Change Response (Zero Carbon) Amendment Act 2019", (2019), at: https://www.legislation.govt.nz/act/public/2019/0061/latest/LMS183736.html#LMS183732
[101] Ministry for the Environment, "Emissions budgets and the emissions reduction plan ", (2024), at: https://environment.govt.nz/what-government-is-doing/areas-of-work/climate-change/emissions-reductions/emissions-budgets-and-the-emissions-reduction-plan/
[102] Ministry of Business, Innovation and Employment, "Emissions Reduction Plan", at: https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/low-emissions-economy/emissions-reduction-plan
[103] Ministry of Business, Innovation and Employment, " Climate Change Work Programme", at: https://www.building.govt.nz/getting-started/climate-change-work-programme/emissions-reduction
[104] Ministry for the Environment, "New Zealand's Second Emissions Reduction Plan 2026–30", (2024), at: https://environment.govt.nz/assets/publications/climate-change/ERP2/New-Zealands-second-emissions-reduction-plan-202630.pdf
[105] Ministry of Business, Innovation and Employment, "Building Code compliance", at: https://www.building.govt.nz/building-code-compliance
[106] BRANZ, "Reducing greenhouse gas emissions in the construction industry", (2025), at: https://www.branz.co.nz/sustainable-building/climate-change/reducing-greenhouse-gas-emissions-construction-industry/
[107] BRANZ, "Climate change and the built environment", (2025), at: https://www.branz.co.nz/sustainable-building/climate-change/climate-change-and-built-environment/

adoption of net zero energy buildings[108] remains slow,[109] green buildings financed under the Framework play a significant role in advancing broader decarbonization efforts.

Based on the above, we are of the opinion that LGFA's funding towards a pool of loans to Councils and CCOs intended to finance green buildings and other projects, as well as the Borrowers' efforts to reduce scope 1 and 2 GHG emissions, have the potential to contribute towards New Zealand's goal of transitioning to a low-emission economy.

[108] A net zero energy building (NZEB) is a highly energy efficient and self-sufficient building that can generate energy through renewable sources.
[109] Daryl Cielo, Alison Subiantoro, Net zero energy buildings in New Zealand: Challenges and potentials reviewed against legislative, climatic, technological, and economic factors, Journal of Building Engineering, Volume 44, 2021, 102970, ISSN 2352-7102, https://doi.org/10.1016/j.jobe.2021.102970.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The Framework and its Sustainable Loans Programme Criteria are expected to help advance the following SDGs and targets.

Use of Proceeds Category	SDG	SDG Target
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Green Buildings	9. Industry, Innovation, and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible, and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
		6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce

		the number of people suffering from water scarcity
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Pollution Prevention and Control	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
	12. Responsible Production and Consumption	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Environmentally Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Climate Change Resilience and Adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
		13.2 Integrate climate change measures into national policies, strategies and planning
Terrestrial and Aquatic Biodiversity Conservation	14. Life below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
	15. Life on Land	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in

		particular forests, wetlands, mountains and drylands, in line with obligations under international agreements
Circular Economy Adapted Products, Production Technologies, Processes and Business Models	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Affordable Basic Infrastructure	9. Industry, Innovation, and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
Access to Essential Services	4. Quality Education	4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
		4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
KPI	**SDG**	**SDG Target**
Absolute gross scope 1 and 2 GHG emissions (tCO_2e) Absolute gross scope 3 GHG emissions (tCO_2e)	9. Industry, Innovation, and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

Conclusion

LGFA has developed the LGFA Sustainable Financing Bond Framework following proceeds-based pillars of general market standards for sustainable finance. The Framework is underpinned by LGFA's CAL Programme and CAL Criteria and GS Loans Programme and GS Loan Criteria. Under the Framework, LGFA intends to issue sustainable financing bonds and notionally allocate the net proceeds of these bond to Sustainable Loan Asset Pool(s) (such pools comprising GS Loans, CALs or both).

We view that the Framework in relation to sustainable financing bond issuances is expected to advance LGFA's and New Zealand's sustainability objectives and generate positive environmental and social benefits. In addition, we view that LGFA's processes for the selection of eligible GS Loans and CALs, the mitigation of key environmental and social risks and reporting on commitments outlined in the Framework are generally aligned with principles underpinning the sustainable finance market, namely those related to impact and transparency.

Under the GS Loan Criteria, the use of proceeds may finance green and social projects or assets. We consider that the projects funded under the GS Loan Criteria are expected to provide positive environmental and social benefits. The GS Loan Criteria outlines a process by which proceeds will be allocated and managed and makes commitments for reporting on the allocation and impact of the use of proceeds, which are overall in line with market practice. Therefore, we view the GS Loan Criteria to be aligned with the GLP and SLP.

Under the CAL Criteria, LGFA intends to link classification or declassification of each CAL upon achievement of the following SPTs:

- SPT 1: Reduction in absolute gross scope 1 and 2 GHG emissions in line with a 1.5°C science-based scenario
- SPT 2: Reduction in absolute gross scope 3 emissions across the Borrower's full value chain in line with a 1.5°C science-based scenario

We have assessed KPIs 1 and 2 as very strong given that: i) they speak to a material ESG issue; ii) they are directly related to Councils' and CCOs sustainability performance; iii) they have a high scope of applicability; iv) they follow a clear and consistent methodology with external references; and v) they are comparable to an external contextual benchmark.

We have assessed that the SPTs under the CAL Criteria align with LGFA's and New Zealand's overall sustainability strategy, which recognize the roles of Councils and CCOs in the country's decarbonization plan and sets the guiding strategy for Councils and CCOs. The Councils and CCOs establish their own emissions reduction plans, targets and decarbonization strategies based on the national GHG emissions reduction plan. We have assessed SPTs 1 and 2 as Highly Ambitious given that Borrower's SPTs are expected to align with the science-based targets to reduce scope 1, 2 and 3 GHG emissions, to help limit global warming to 1.5°C and support the achievement of net zero emissions by 2050 in New Zealand. However, we consider the loan characteristics defined under the CAL Criteria not aligned with the SLLP loan characteristics component, as the financial characteristics in relation to achieving the SPTs are not linked within the same CAL term, but to future CALs. Nevertheless, we recognize the mechanism of declassification from the Programme to

be an environmentally beneficial incentive to achieve ambitious decarbonization targets. Therefore, we overall consider the CAL Criteria to be partially aligned with the intent of the SLLP.

Based on the above, we are confident that LGFA is well positioned to issue sustainable financing bonds and use proceeds from the bonds to originate GS Loans and CALs under its GS Loan Criteria and CAL Criteria respectively. We view that the LGFA Sustainable Financing Bond Framework, as based on the proceeds-based pillars of general market standards for sustainable finance, is overall in alignment with the impact and transparency principles which underpin the sustainable finance market. Furthermore, we view that the GS Loan Criteria to originate GS Loans, i.e. use of proceeds loans, is aligned with the Green Loan Principles 2025 and the Social Loan Principles 2025. We are also of the opinion that the CAL Criteria to originate the Climate Action Loans to be partially aligned with the intent of the Sustainability-Linked Loan Principles 2025.

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