Sustainable Financing Bond Framework

Benefiting local communities through delivering efficient financing for local government

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

17 September 2025

LGFA

New Zealand Local Government Funding Agency
Te Pūtea Kāwanatanga ā-rohe

Contents

1. Introduction

A commitment to assist councils and council-controlled organisations to finance projects that promote environmental and social wellbeing in New Zealand.

1.1 About LGFA

New Zealand Local Government Funding Agency Limited (**LGFA**), is a Council Controlled Organisation (CCO) operating under the Local Government Act 2002. The LGFA's governance structure comprises the New Zealand Government (20%) and thirty New Zealand local authorities (**Councils**) (80%), the LGFA Shareholders Council, and the LGFA Board of Directors (**Board**).

LGFA was established to raise debt on behalf of Councils on terms that are more favourable to them than if they raised the debt directly. LGFA was incorporated as a limited liability company under the Companies Act 1993 on 1 December 2011, following the enactment of the Local Government Borrowing Act 2011.

As at 31 March 2025, LGFA has been assigned AAA and AA+ local currency credit ratings respectively from S&P Global Ratings Australia Pty Limited and Fitch Australia Pty Limited.

Our purpose Ta tatou kaupapa

Benefiting local communities through delivering efficient financing for local government.

Our values Ō mātau uara

We act with integrity
E pono ana mātau

We are honest, transparent and are committed to doing what is best for our customers and our company.

We are customer focused
E arotahi ana mātau ki te kiritaki

Our customers are our council borrowers, investors, and all other organisations that we deal with. We listen to them and act in their best interests to deliver results that make a positive difference.

We strive for excellence
E whakapau kaha mātau kia hiranga te mahi

We strive to excel by delivering financial products and services that are highly valued at least cost while seeking continuous improvement in everything we do.

We are innovative
He auaha mātau

To meet our ever-changing customer requirements, we will encourage innovation and provide a diverse range of financial products and services.

We provide leadership
He kaiārahi mātau

We are here for our stakeholders in being strategically minded, providing resilience and executing our strategy. We embrace a high-performance culture and can be relied upon to deliver results.

1.2 LGFA's Approach to Sustainability

LGFA's foundation objectives include the primary objective of optimising the debt financing terms and conditions for our members. LGFA's other foundation objectives are to conduct our affairs in accordance with sound business practice, exhibit social and environmental responsibility by having regard to the interests of the community and to be a good employer.

Our sustainability approach is driven by the risks and opportunities we face as a lender, issuer and investor over a long-term horizon which is why we prioritise adopting practices that balance economic growth, environmental care and social wellbeing.

LGFA is committed to improving sustainability outcomes within the company, as well as assisting the local government sector achieve their sustainability and climate change objectives.

As a key funding agency for the local government sector, LGFA can facilitate the direction of capital to support member Councils and CCOs to allocate financing required to reduce greenhouse gas (**GHG**) emissions, adapt to climate change and achieve broader sustainability outcomes.

At an operational level, LGFA is committed to reducing its own GHG emissions over time. The first target is to cut per employee GHG emissions by 30% by 2030, compared with a 2018/19 base year.

While these changes are important, LGFA acknowledges that our Scope 1 and 2 GHG emissions are very low and that most of our climate change impacts relate to those Scope 3 GHG emissions that we finance through our loans to member Councils and CCOs to build assets and infrastructure. Therefore, we have developed a sustainable loan programme to encourage and support member Councils and CCOs to develop and implement GHG emissions reductions targets and plans, as outlined further in Section 1.3 below.

1.3 LGFA's Sustainable Loan Programmes

LGFA has established two sustainable lending programmes that member Councils and CCOs (**Borrowers**) can access to either (a) finance or refinance specific environmental or social projects, assets and activities, or (b) be incentivised to improve GHG emissions measurement and reduction. LGFA provides a financial incentive for both of these loans:

(a) Green and Social Loans Lending Programme: In October 2021, LGFA established a Green, Social and Sustainability Lending Programme which was subsequently updated and renamed in September 2025 to a Green and Social (**GS**) Loans Lending Programme which provides 'use of proceeds' loans to Borrowers to fund green and/or social projects, assets and activities (**GS Loans**)[1]. The Green and Social Loan – Lending Programme Criteria[2] (**GS Loan Criteria**) identifies 13 categories of eligible projects, comprising 10 green project categories and 3 social project categories for which GS Loans can be provided to Borrowers.

- Eligible project categories are set out in Section 4.1. Sustainalytics has provided a Second Party Opinion[3] on the alignment of the GS Loan Criteria with the Asia-Pacific Loan Market Association's (**APLMA**) Green Loan Principles (GLP)[4] and Social Loan Principles (**SLP**)[5].

(b) Climate Action Loans (CALs) Lending Programme: In December 2022, LGFA established the CAL Lending Programme to provide 'target (or incentive) based' loans[6] to incentivise Borrowers to measure and reduce their GHG emissions. The CAL Lending Programme Criteria was updated in September 2025. The Climate

1 GS Loans are documented as debt securities under LGFA's Multi-Issuer Deed with Borrowers.

2 The GS Loan Criteria may be updated from time to time. The GS Loan Criteria as at the date of this Framework can be found at www.lgfa.co.nz/sustainability/sustainable-lending/green-and-social-loans

3 www.lgfa.co.nz/sustainability/sustainable-financing-bonds

4 APLMA Green Loan Principles 2025.

5 APLMA Social Loan Principles 2025.

6 CALs are documented as debt securities under LGFA's Multi-Issuer Deed with Borrowers.

Action Loans – Lending Programme Criteria[7] (**CAL Criteria**) sets out the requirements for Borrowers to adopt an Emissions Reduction Plan (**ERP**) and achieve 1.5°C science-aligned GHG emissions reduction targets.

- These requirements are set out in in Section 4.1.
- Sustainalytics has provided a Second Party Opinion[8] on the partial alignment of the CAL Criteria with the APLMA's Sustainability-Linked Loan Principles[9] (**SLLP**).
- The CAL Criteria is not aligned with the SLLP's loan characteristics component (Component 3 of the SLLP), which requires an economic impact linked to the non-achievement of emission reduction targets (**ERT**) for existing funding.

CALs and GS Loans (together '**Sustainable Loans**') will help create alignment of LGFA's lending activities with social and environmental outcomes achieved by Borrowers.

As LGFA may update this Framework, the GS Loan Criteria and CAL Criteria from time to time, the Sustainable Loans may not all be subject to the same GS Loan Criteria or CAL Criteria (as applicable). See Section 6.

2. About this Framework

LGFA has developed this Sustainable Financing Bond Framework (**Framework**) to:

- recognise LGFA's commitment to support Borrowers to fund environmental and/or social projects, assets and activities, and incentivise GHG emission measurement and reductions for a Borrower's operational emissions;
- enable LGFA to issue bonds that are notionally allocated to the Sustainable Loans on LGFA's balance sheet; and
- advance the market for sustainable finance by providing an innovative and holistic opportunity for investors to support Borrowers to achieve their sustainability aspirations.

The Framework is informed by the:

- International Capital Markets Association's (**ICMA**) Green Bond Principles (**GBP**)[10] and Social Bond Principles (**SBP**)[11], and
- APLMA's GLP, SLP and SLLP,

(together, the **Market Standards**).

The Framework follows the "proceeds-based" pillars of the Market Standards and is underpinned by the GS Loan Criteria and the CAL Criteria. However, LGFA is not claiming direct alignment with the Market Standards.

This Framework outlines the process by which LGFA intends to issue and manage sustainable financing bonds (**Sustainable Financing Bonds**), the net proceeds of which will be notionally allocated to a pool of Sustainable Loans (the pool may comprise either GS Loans, CALs or both) that meet the eligibility criteria set out in this Framework (**Sustainable Loan Asset Pool**).

7 The CAL Criteria may be updated from time to time. The CAL Criteria as at the date of this Framework can be found at www.lgfa.co.nz/sustainability/sustainable-lending/climate-action-loans

8 www.lgfa.co.nz/sustainability/sustainable-financing-bonds

9 APLMA Sustainability-Linked Loan Principles 2025.

10 ICMA Green Bond Principles 2025.

11 ICMA Social Bond Principles 2025.

3. Sustainability Governance

LGFA's Board has ultimate oversight of LGFA's sustainability strategy, sustainable lending programmes and LGFA's sustainable financing bond programme (including this Framework). Given the broad range of environmental and social initiatives being undertaken by Borrowers, LGFA established a Sustainability Committee (**Sustainability Committee**) that provides advice and recommendations to the LGFA Chief Executive (**CE**) on sustainability issues.

The Sustainability Committee is a Board-approved Committee and must have at least six members, including a representative of the Board as Committee Chair, three LGFA employees and at least two external appointees. The composition of the Sustainability Committee is reviewed annually by the Board to ensure an appropriate balance of expertise, skills and experience.

The purpose of the Sustainability Committee is to advise the CE on sustainability issues and opportunities within LGFA, across its operating, borrowing and lending activities. The Sustainability Committee's key responsibilities include:

- Providing input into the governance and oversight process of the GS Lending Programme, the CAL Lending Programme and Sustainable Financing Bond issuance.
- Review and make recommendations to the CE as to the introduction of new sustainability (including sustainable finance) initiatives that meet LGFA's sustainability strategic ambition and legislative obligations.
- Recommend to the CE approval of applications in relation to GS Loan and CALs following review by the Sustainability Committee.

Before the issue of a Sustainable Financing Bond, LGFA management will review and provide to the Board a recommendation regarding the Sustainable Loan Asset Pool.

LGFA management is also responsible for:

- the reporting and external review requirements under this Framework, the CAL Criteria and GS Loan Criteria;
- developing and maintaining the Sustainable Loan Register (as defined at Section 4.3 below); and
- the notional allocation of the net proceeds of Sustainable Financing Bonds to the Sustainable Loan Asset Pool.

4. Sustainable Financing Bonds

4.1 Use of Proceeds

The net proceeds of the Sustainable Financing Bonds will be allocated to LGFA's general pool of funds for financing Borrowers and LGFA's general corporate purposes (including to refinance its existing debt).

As at the date of this Framework, LGFA intends to notionally allocate an amount equal to the net proceeds of the Sustainable Financing Bonds to one Sustainable Loan Asset Pool. In order to be included in the Sustainable Loan Asset Pool, GS Loans must meet the eligibility criteria in Section 4.1.1, and CALs must meet the eligibility criteria in Section 4.1.2.

4.1.1 GS Loans Eligibility Criteria

GS Loans are loans to Borrowers for assets, projects or activities that meet the Green Project criteria (Section 4.1.1.1) or Social Project criteria (Section 4.1.1.2) and deliver demonstratable environmental and/or social benefits. These projects must target minimum requirements and/or target requirements higher than the minimum benchmarks, where available, as set out in the GS Loan Criteria, and have explicit environmental (including climate) or social ambitions.

GS Loans are provided to finance new green or social projects, and generally will not be made available to Borrowers to finance projects that were completed more than eighteen months prior to the date that the

Borrower applies to LGFA for a GS Loan. When existing GS Loans mature, these can be refinanced within the economic lifetime of the project, but the projects will be reassessed against LGFA's most recent GS Loan Criteria.

4.1.1.1 GREEN PROJECTS

All Green Projects should provide clear additive environmental sustainability benefits, with these benefits assessed and, where feasible, measured and quantified by the Borrower.

The Green Projects must meet at least one of the below criteria (as further described in the GS Loan Criteria).

Green Project category (GS Loan Criteria)	Purpose	Criteria	Alignment to the UN SDGs
Energy Efficiency	Investments in this category relate to energy efficiency measures such as managing demand for energy or reducing energy requirements of projects, buildings, assets and/or activities. This may apply to new and refurbished buildings, energy storage, district heating and smart grids.	Assets, projects or activities that contribute to managing energy demand or energy efficiency and in turn, a reduction in energy consumption. Green Projects must be able to demonstrate one or more of the following: • Significant user energy cost savings and productivity improvements • Lower energy demand • Increased security and reliability of energy supply • Reduced energy-related greenhouse gas emissions.	7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Green Buildings	Investments in this category are intended to support the development and operation of low carbon, energy efficient or sustainably designed buildings where those buildings meet national or internationally recognised green building standards, ratings or certifications for environmental performance.	Buildings that meet a minimum rating in national or internationally recognised green building standards, ratings or certifications. In New Zealand this certification is managed by the New Zealand Green Building Council (NZGBC). The specific certification requirements for different types of buildings are set out in the GS Loan Criteria.	11 SUSTAINABLE CITIES AND COMMUNITIES
Clean Transportation	Investments in this category are intended to create low-carbon transport solutions.	The Green Project must be or enable a low-carbon option for transporting people or goods. Qualifying assets and projects include: • Transport modes such as hybrid or fully electric trains, tramways or ferries • Fully electric light vehicles or buses • Public walking and cycling modes and associated infrastructure • Low carbon transport systems, technologies and infrastructure that enable, improve and increase the utilisation of low carbon transport.	11 SUSTAINABLE CITIES AND COMMUNITIES

Green Project category (GS Loan Criteria)	Purpose	Criteria	Alignment to the UN SDGs
Sustainable Water and Wastewater Management	Investments in this category are intended to deliver sustainable water and wastewater management (including sustainable infrastructure for wastewater treatment, sustainable urban drainage systems and river training). Initiatives will improve the environmental and sustainability performance of water, wastewater and/or stormwater management. This category applies to built, engineered and nature-based assets.	Green Projects in this category must have the primary objective of sustainable water or wastewater management. Green Projects that have other primary targets (e.g. pollution prevention, energy efficiency, or climate adaptation) and include secondary actions to improve water or wastewater management do not fall in this category. The Borrower must be able to demonstrate that the Green Project exceeds the minimum standards (where they apply) in demonstrating that the Green Project meets the expectation of explicit (additional) environmental impact(s). The criteria apply to both the installation of new facilities and upgrading existing facilities. Investment to maintain or replace assets, facilities, or equipment without any demonstrable and measurable improvement in environmental performance will not qualify for a GS Loan. Additional requirements are set out in the GS Loan Criteria.	 
Renewable Energy	Investments in this category are intended to capture projects relating to renewable energy. Projects can include renewable energy production, storage, transmission, distribution, appliances and products.	Investments related to the generation of energy from renewable sources such as wind, solar, geothermal, hydropower and its supporting technology or infrastructure. Additional requirements are set out in the GS Loan Criteria.	 
Pollution Prevention and Control	Investments in this category are intended to ensure sustainable, energy efficient and resource-saving waste management.	Upgrading old or building new waste management facilities for the purpose of sorting and recycling waste and enabling waste reduction or prevention. The investment must improve the waste management chain by increasing the recovery rate or by improving resource use, for example. Investment to maintain or replace assets, facilities, or equipment without any demonstrable and measurable improvement in environmental performance will not qualify for a GS Loan.	 

Green Project category (GS Loan Criteria)	Purpose	Criteria	Alignment to the UN SDGs
Environmentally Sustainable Management of Living Natural Resources and Land Use	Investments in this category are projects focused on the sustainable management of living natural resources and land use projects. Living natural resources include a wide variety of plants, animals and microorganisms, and the ecosystem services to which they contribute.	Investment in the regeneration of natural ecosystems such as forest protection, environmentally sustainable forestry including afforestation or reforestation of non-native land permanently into indigenous forestry. Projects that support the 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. Projects that increase or protect ecosystem services and the preservation (conservation) or restoration of natural landscapes, waterways and seas. Projects that support the use of synthetic or chemical pesticides, herbicides or weedicides will not qualify for a GS Loan. Specific certification requirements are set out in the GS Loan Criteria.	14 LIFE BELOW WATER 15 LIFE ON LAND
Climate Change Resilience and Adaptation	Investments in this category are intended to support the borrower and/or local communities to adapt to climate change and/or increase their resilience to the impacts of climate change.	Criteria includes: • **Adaptation and resilience projects** focused on improving climate change preparedness and resilience. This can include Projects that seek to moderate or avoid climate changes' likely or potential harmful effects on people, nature and/or economic activities and assets (e.g. infrastructure, buildings). Relocation of roading infrastructure is not eligible. • **Information support systems** that enable better risk-informed decisions to prepare for and respond to climate change and climate-related disasters, such as climate observations and early warning systems. Additional requirements are set out in the GS Loan Criteria.	13 CLIMATE ACTION
Terrestrial and Aquatic Biodiversity Restoration, Conservation and Enhancement	Investments in this category are intended to prevent loss or degradation of ocean biodiversity, mangrove forests, coastal wetlands, habitat loss and degradation, as well as preventing unsustainable harvesting of species.	Projects in this category must have the primary objective of biodiversity. Projects targeting biodiversity are, for example, focused on safeguarding and/or developing protected terrestrial and marine areas and systems, forest conservation, or reducing emissions from deforestation and forest degradation. Additional requirements are set out in the GS Loan Criteria.	14 LIFE BELOW WATER 15 LIFE ON LAND

Green Project category (GS Loan Criteria)	Purpose	Criteria	Alignment to the UN SDGs
Circular Economy Adapted Products, Production Technologies, Processes and Business Models	To support investments in circular economy adapted products, production technologies, processes and business models (such as the design and introduction of reusable, recyclable and refurbished materials, components and products; circular tools and services); and/or certified eco-efficient products.	This category applies to projects, products or assets that support a circular economy, and achieve one or more of the five circular economy outcomes. Additional requirements are set out in the GS Loan Criteria.	11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

4.1.1.2 SOCIAL PROJECTS

All Social Projects should provide clear additive benefits of a social nature, with these benefits assessed, and where feasible, measured and quantified by the Borrower.

Social Projects directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes especially, but not exclusively, for a target population(s).

The Social Projects must meet at least one of the below criteria (as further described in the GS Loan Criteria).

Social Project Category (GS Loan Criteria)	Purpose	Criteria	Informed by the UN SDGs
Affordable Basic Infrastructure	Investments in this category are intended to support projects, assets or programmes that enable affordable access to basic infrastructure in the relevant region, that will also benefit economic development and human wellbeing.	The Project must be able to clearly demonstrate an improvement to affordable access to basic infrastructure. This includes telecommunications, clean drinking water, energy, and transport infrastructure (excluding roading infrastructure). This includes Projects that improve water supply infrastructure and facilities and/or improve the quality of the supplied drinking water to achieve current national drinking water standards. Additional requirements are set out in the GS Loan Criteria.	6 CLEAN WATER AND SANITATION 11 SUSTAINABLE CITIES AND COMMUNITIES 3 GOOD HEALTH AND WELL-BEING 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Social Project Category (GS Loan Criteria)	Purpose	Criteria	Informed by the UN SDGs
Access to Essential Services	Investments in this category are intended to support projects, assets or programmes that enable accessibility to services that are deemed essential to the relevant region, with a focus on education and vocational training services, employment generation and public health.	The Project must be able to clearly demonstrate an improvement to access health services, education and vocational training services. This may include improved access for minority groups, including minority groups based on gender, race or ethnicity, sexual orientation, religion, mentally challenged or new migrants.	1 NO POVERTY 3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 10 REDUCED INEQUALITIES
Affordable or Social housing	Affordable or social housing projects are considered to include housing development, acquisition, upgrading/ refurbishing, housing finance, and other activities that support affordable and social residential housing among specific target populations.	Development and activities that maintain or expand access to affordable or social housing. The Social Project must be able to clearly demonstrate an improvement to affordable housing offerings. Affordable housing is housing for low to moderate income and asset households and priced so that the household is able to meet its housing and other essential basic living costs. This equates to low to middle income households spending no more than 30% of their gross income on rent or mortgage costs and other essential household costs. Social housing is short-term or long-term housing that is provided by the government, a regional or local council, or a not-for-profit. It is aimed at aiding low-socio economic individuals or those who have particular needs, who may have difficulty purchasing their own house.	11 SUSTAINABLE CITIES AND COMMUNITIES

4.1.2 Climate Action Loans Eligibility Criteria

CALs are target-based incentive lending structures, designed to incentivise Borrowers to reduce organisational GHG emissions.

A CAL rewards a Borrower through a financial incentive if that Borrower has fulfilled the criteria set out in Section 3.2 of the CAL Criteria. This includes:

- Producing an annual assured GHG emissions inventory for its organisational emissions;
- Setting science-aligned targets for its organisational emission (ERTs); and
- Approving an Emissions Reduction Plan (ERP) that sets out how those targets will be achieved.

In order to be eligible to apply for a CAL, the Borrower must provide a GHG emissions inventory (calculated using the GHG Protocol[12] or ISO 14064 Standard[13]) for both the current year and an established base year, and an ERP (which may be included in a transition plan or climate change strategy), that sets out a plausible strategy to achieve the Borrower's short-term (2030) ERTs (covering Scope 1 and 2 ERTs, and Scope 3 ERT (within one year from when the Scope 3 ERT is adopted)). The Borrower will be required to broaden the GHG emissions inventory to capture Scope 3 emissions across the Borrower's full value chain within two years from when the Borrower is first approved by LGFA to enter into CALs (if not already adopted). The Borrower is required to obtain independent third-party assurance (by a credible provider) of its GHG Emissions Inventory to confirm reporting is in alignment with the GHG Protocol or ISO14064.

LGFA requires this assurance engagement, at a minimum, be at a limited assurance engagement and be completed by using the current and relevant assurance standard and expectations set by the External Reporting Board (XRB).

The Borrower must also have set science-aligned gross absolute short-term, medium-term and long-term ERTs for Scope 1 and 2 emissions. This should include a minimum reduction of 42% by 2030 from 2020 levels or an equivalent target achieving the long-term target of net zero by 2050 or sooner. The Borrower will be required to adopt science-aligned Scope 3 targets across the Borrower's full value chain within two years from when the Borrower is first approved by LGFA to enter into CALs (if not already adopted). Scope 3 targets should include a short-term target out to 2030, achieving the long-term target of net zero by 2050 or sooner.

4.2 Project Evaluation and Selection

Applications for GS Loans and eligibility to apply for CALs will be subject to an assessment process based upon the GS Loan Criteria and CAL Criteria.

LGFA management initially assesses applications and presents them to the Sustainability Committee for review as to whether the application meets the relevant GS Loan Criteria or CAL Criteria. Subject to the application meeting the relevant criteria, the Committee will make a recommendation to the Chief Executive accordingly.

The application is then assessed by the Chief Executive for approval.

GS Loans or CALs that are entered into following LGFA's application process may be eligible for inclusion within the Sustainable Loan Asset Pool.

The following factors will be considered by LGFA management when determining whether a GS Loan or a CAL is to be included within the Sustainable Loan Asset Pool:

- alignment to LGFA's sustainability strategy;
- conformance with the GS Loan Criteria or CAL Criteria (as set out in Sections 4.1.1 and 4.1.2);
- LGFA's own professional judgement, discretion and sustainability knowledge; and
- assessment of any potential negative social and/or environmental risks associated with the GS Loans and how these risks are being managed.

The Sustainable Loan Asset Pool may be replenished if underlying GS Loans or CALs are repaid (including on maturity), non-eligible GS Loans or CALs are removed, or additional GS Loans or CALs are identified and funded. In addition, non-eligible CALs which are removed from the Sustainable Loan Asset Pool (for example, due to declassification under the CAL Criteria) may be reinstated into the Sustainable Loan Asset Pool if they are, at any time, subsequently eligible for inclusion. LGFA will ensure financing that meets both the GS Loan Criteria and CAL Criteria is not double counted within the Sustainable Loan Asset Pool.

LGFA is the arbiter of asset proposals and substitution determinations if a GS Loan or CAL is repaid, or a non-eligible project is removed. LGFA management will have oversight of the notional allocation of net proceeds from Sustainable Financing Bonds against GS Loans and CALs.

12 The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (2004 Edition) as amended from time to time.

13 International Organization for Standardization 14064-1:2018 "Greenhouse Gases" (Edition 2, 2018) as amended from time to time.

4.3 Management of Proceeds

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.

LGFA will maintain a register (**Sustainable Loan Register**) of the Sustainable Loan Asset Pool that outlines (among other things) the following:

- the current value of the GS Loans included within the Sustainable Loan Asset Pool, which is based on the principal amount of the relevant loan advanced to the Borrower;
- the current value of CALs included within the Sustainable Loan Asset Pool, which is based on the principal amount of the relevant loan advanced to the Borrower;
- the notional allocation of an amount equal to the net proceeds from the Sustainable Financing Bonds against the GS Loans and CALs included in the Sustainable Loan Asset Pool; and
- disclosure of any unallocated net proceeds from the Sustainable Financing Bonds.

Pending allocation, any unallocated net proceeds will be temporarily invested in:

- cash and money market securities, green, social and/or sustainability bonds issued by other entities, local government and/or central government debt. All investments (other than cash) must have a minimum credit rating of A+ by Standard & Poor's Global Ratings or corresponding credit rating by another rating agency approved by LGFA; or
- investment instruments that do not include GHG emissions intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy.

LGFA will service its debt obligations under Sustainable Financing Bonds out of its general cash flows and not specifically from revenues generated by Sustainable Loans alone.

4.4 Disclosure and Reporting

LGFA recognises the importance investors place on transparency and disclosure relating to Sustainable Financing Bonds and will make the following information available on its website:

Item	Frequency
Framework	Upon establishment of this Framework (and when the Framework is amended (at LGFA's discretion), as soon as practical after those changes are made).
Annual Update Reports	Annually (at or about the same time as, or shortly after, LGFA's Annual Report is published) for so long as there are outstanding Sustainable Financing Bonds. LGFA intends to prepare Annual Update Reports in line with the Market Standards that include the following information: • **Allocation Reporting:** A list and description of the Sustainable Loans that the net proceeds from the Sustainable Financing Bonds are notionally allocated to. • **Eligibility Reporting:** Confirmation that the Sustainable Loans meet the relevant eligibility requirements included in this Framework, including information on the characteristics and sustainability performance of the Sustainable Loans. • **Impact Reporting:** LGFA will endeavour to provide qualitative and/or quantitative reporting (as determined by LGFA) of the environmental and/or social impacts of the Sustainable Loans included within the Sustainable Loan Asset Pool. Impact reporting indicators will be subject to availability of information and confidentiality requirements.
Sustainable Financing Allocation Report	Monthly, for so long as there are outstanding Sustainable Financing Bonds.
Annual External Review	Annually (at or about the same time as, or shortly after, LGFA's annual report is published) for all outstanding Sustainable Financing Bonds.

4.5 External Review

PRIOR TO LGFA'S FIRST ISSUE OF A SUSTAINABLE FINANCING BOND:

LGFA engaged Morningstar Sustainalytics to provide a Second Party Opinion (dated 29 March 2023) on the Framework (dated 31 March 2023), which is available at www.lgfa.co.nz/sustainability/sustainable-financing-bonds.

FOLLOWING LGFA'S FIRST ISSUE OF A SUSTAINABLE FINANCING BOND:

LGFA engaged Morningstar Sustainalytics to provide a Second Party Opinion (dated 17 September 2025) on this Framework, which is available at www.lgfa.co.nz/sustainability/sustainable-financing-bonds.

LGFA intends to engage Morningstar Sustainalytics, or another appropriately qualified external reviewer, to carry out an annual review of each Annual Update Report, including confirmation that:

- the Sustainable Loans in the Sustainable Loan Register meet the CAL Criteria and/or the GS Loan Criteria and comply with the Framework; and
- the impact reporting metrics have been fairly and accurately represented (if applicable).

5. Important Notice

LGFA intends to manage its Sustainable Financing Bonds in accordance with this Framework. However, this Framework does not form part of the contractual terms of any Sustainable Financing Bond.

If LGFA fails to comply with this Framework, or the Sustainable Financing Bonds cease to have "sustainable financing" status:

- this does not constitute an event of default, event of review, or any other breach in relation to any Sustainable Financing Bond; and
- there is no requirement for LGFA to repay the Sustainable Financing Bonds as a result of this non-compliance and neither investors nor LGFA have any right to early repayment as a result of this non-compliance.

This means there is no legal obligation on LGFA to allocate the net proceeds in the manner or by the time described in the Framework or to comply with the Framework or the Market Standards on an ongoing basis. As a result, the bond may cease to be labelled as sustainable or 'sustainable financing'. LGFA will disclose if a Sustainable Financing Bond ceases to be labelled as sustainable or 'sustainable financing' in its Annual Update Report.

6. Continuous Improvement

LGFA will monitor how the Market Standards and global sustainable finance markets continue to develop and retains the right to adapt its approach to sustainable finance as relevant. As a consequence, LGFA may update this Framework, the GS Loan Criteria and CAL Criteria from time to time, at its sole discretion.

If LGFA updates the GS Loan Criteria and/or the CAL Criteria:

- **GS Loan Criteria:** in relation to an existing Green Project or Social Project, Borrowers can continue to hold a GS Loan (including any new GS Loans in respect of that project) under the GS Loan Criteria that project was originally approved against.
- **CAL Criteria:** the Borrower can opt to continue to hold CALs under the updated CAL Criteria or notify LGFA that it wishes to declassify their CALs. Where a declassification occurs, each CAL will be treated as a standard loan instead of a CAL.

Further Information

More information on LGFA's approach to sustainability can be found at LGFA's website or in our annual reports.

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