

Sustainability Policy

Status: Approved
November 2025

Policy owner: Board

Related policies

- Responsible investment
- Code of ethics
- Health & safety
- Diversity
- Flexible work

Purpose

To meet LGFA's purpose of benefiting local communities through delivering efficient financing for local government, LGFA must have regard to the sustainability of its operations.

Sustainability at LGFA means being responsible with our finances, our people, our stakeholders (which includes our council and CCO members) and our environment.

The purpose of this Sustainability Policy is to define LGFA's sustainability objectives and outline what we will do to deliver on these objectives.

Definition and Scope

LGFA's approach to sustainability includes improving sustainability outcomes within the company, as well as assisting the local government sector achieve their sustainability objectives within their communities. Effective financial management, a strong climate change response, natural disaster risk management, effective governance structures and environmental and socially responsible policies are fundamental to this approach.

At LGFA, we are integrating sustainability into our strategy and operations which consists of adopting practices that balance economic growth, environmental care and social wellbeing.

If sustainability is not integrated into its operations, LGFA will have an increasing risk profile which could undermine the confidence of investors, shareholders and credit rating agencies, all of which are essential for LGFA's long term financial success.

Roles and responsibilities

This policy is the responsibility of, and is approved by, the LGFA Board.

The Board is responsible for setting LGFA's overall strategic direction, including its commitment to sustainability.

LGFA management are responsible for implementing the Sustainability Policy. This includes day-to-day operations, resource allocation, and decision-making to achieve sustainability-related objectives and performance targets.

The LGFA Sustainability Committee provides independent advice and guidance to assist the CE and management with sustainability-related strategy, objectives, product development, monitoring and review.

Sustainability at LGFA

Sustainability at LGFA itself requires us to be responsible with our finances, our people, our stakeholders and our environment.

We recognise we have responsibility for how our operations impact the social, economic, and environmental wellbeing of our communities.

We will endeavour to create a workplace culture where our people can flourish. We recognise that a healthy and motivated workforce is essential to achieving our sustainability goals.

We are committed to work with the local government sector to finance improvements in environmental and social outcomes and a reduction in their organisational greenhouse gas emissions through our sustainable lending products, thus reducing the impact of our financed greenhouse gas emissions and improving the impact of our financing.

We aim to manage our Environmental, Social and Governance (ESG) and climate-related risks and ensure we are well positioned as the global and domestic economy transitions towards a low-emissions, climate-resilient future state.

We will continue to measure our own greenhouse gas emissions and focus on reducing our most material emission sources.

We will not knowingly engage with counterparts in our supply chain if we become aware that doing so could contribute to violations of human rights, employee rights, nor will we accept corruption.

We will endeavour to meet and report on our Statement of Intent while maintaining adequate issuance, capital, liquidity and credit ratings to meet the needs of our borrowers.

We are committed to meet all regulatory and legal requirements in relation to corporate governance and climate-related disclosure and reporting requirements.

We will report transparently on our performance and progress under this policy. We will regularly measure and publicly report against our sustainability commitments, our progress towards achieving the objectives and targets set in our sustainability strategy, as well as on the impact of our sustainable finance lending programmes.

We support the NZX and the development of the New Zealand capital market through our issuance programme and financing role for local government entities. LGFA will promote sustainability-related initiatives within the New Zealand capital market through the continuous development of innovative sustainable financing products.

Sustainability in local government

LGFA was established to finance Local Government borrowing needs. It is in LGFA's interest to ensure Local Government borrowing is sustainable. Additionally, LGFA must be aware of the relevant legislative requirements of its members.

While LGFA cannot determine the use of borrowings by its members we can:

- monitor member borrowing capacity against both covenants and risk profiles;
- create lending products that incentivise sustainability; and
- provide reporting to the sector on member progress on sustainability.

We aim to be an innovative and financially resilient organisation, by managing our ESG and climate-related risks and assist the local government sector to do the same, by:

- providing councils and council-controlled organisations (CCOs) with innovative financing products and services that assist them to meet their sustainability objectives and investment in projects that promote transition to a low-emissions, climate-resilient economy;
- continuously improving and promoting our sustainability financing products and initiatives; and
- proactively working with councils, CCOs and sector partners on financing their sustainability initiatives.

Policy Review

This policy is reviewed by the Board on a biennial basis. The policy was last approved by the Board in November 2025; the next scheduled review is November 2027.

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