



# Sustainability Financing Impact Report

Year ended 30 June 2019



# Contents

<b>Foreword</b>	<b>03</b>
<b>Important notes regarding this report</b>	<b>04</b>
Reporting period	04
October 2019 – Establishment of Kāinga Ora – Homes and Communities	04
Our commitment to sustainability	05
<b>Our Sustainability Financing Framework</b>	<b>06</b>
Use of proceeds	06
Project evaluation and selection	06
Management proceeds	07
Reporting	07
<b>Impact and use of proceeds statement</b>	<b>08</b>
Overview	08
Use of proceeds	08
Allocation of remaining proceeds from October 2026 Sustainability Bond	08
Impact reporting for 2019/20 fiscal year	09
<b>Appendix One – Update to the Framework since the reporting period</b>	<b>10</b>
Post year-end activities	10
Introduction of Wellbeing Bonds	10
<b>Appendix Two – Sustainability Financing Projects Register</b>	<b>11</b>
<b>Appendix Three – Case studies</b>	<b>12</b>
Case study – Supportive housing	12
Case studies – Te Waka Urungi – Intensive Tenancy Management	13
<b>Appendix Four – Sustainalytics – Annual Review</b>	<b>14</b>

## Foreword

### Welcome to our first annual Sustainability Financing Impact Report for the year ended 30 June 2019.

This was a significant year for Housing New Zealand, as we launched our inaugural \$500 million Sustainability Bond in April 2019. In preparation for the launch, we developed a robust Sustainability Financing Framework to help ensure social and environmental considerations are embedded in our processes and practices across our core business activities.

Since 30 June 2019, we have expanded our work by bringing all notes issued by Housing New Zealand Limited under the Sustainability Financing Framework. Our financing programme continues to grow to support the renewal of our existing public housing, an increase in stock numbers and the regeneration of suburbs in which we own significant numbers of homes. We expect to issue at least \$1 billion of notes under the Framework in the current fiscal year ending 30 June 2020.

On 1 October 2019, Housing New Zealand transitioned into Kāinga Ora – Homes and Communities. Kāinga Ora will contribute to sustainable, inclusive and thriving communities that provide people with good quality, affordable housing choices that meet diverse needs.

One of our key objectives, in partnership with others, is to develop more homes in thriving communities. Those homes are pivotal to sustaining and enhancing the wellbeing of the current generation of New Zealanders but also generations to come.



**Andrew McKenzie**  
Chief Executive



## Important notes regarding this report

### Reporting period

This Sustainability Financing Impact Report relates to the year ended 30 June 2019, specifically the period 5 April 2019 (when the inaugural \$500 million October 2026 Sustainability Bond was issued) to 30 June 2019.

The September 2019 update to the Sustainability Financing Framework and inclusion of Wellbeing Bonds (discussed below and in greater detail in Appendix One) occurred outside this reporting period and will be addressed in the Sustainability Financing Impact Report for the year ended 30 June 2020.

### October 2019 – Establishment of Kāinga Ora – Homes and Communities

After the reporting period on 1 October 2019, Housing New Zealand Corporation (HNZC) was disestablished and Kāinga Ora – Homes and Communities was created, marking the beginning of a step change in housing and urban development in New Zealand. The assets and functions of HNZC have vested in Kāinga Ora – Homes and Communities, and Housing New Zealand Limited (the issuer of the Sustainability Bond) continues as a wholly owned subsidiary of Kāinga Ora – Homes and Communities.

Kāinga Ora – Homes and Communities and its subsidiaries (together, Kāinga Ora) brings together the people, capabilities and resources of the KiwiBuild Unit, Housing New Zealand and the development subsidiary HLC. This is designed to enable a more cohesive, joined-up approach to delivering the Government's priorities for housing and urban development in New Zealand. These priorities include addressing homelessness and making homes more affordable for New Zealanders.

Kāinga Ora has two key roles:

- Being a world-class public housing landlord.
- Partnering with the development community, Māori, local and central government and others on urban development projects of all sizes.

For more information about Kāinga Ora, please see [www.KaingaOra.govt.nz](http://www.KaingaOra.govt.nz)

Where used in the remainder of this report in respect of matters before 1 October 2019, any reference to Kāinga Ora represents HNZC and its subsidiaries.

## Important notes regarding this report continued

### Our commitment to sustainability

Kāinga Ora acknowledges the importance of generating positive social and environmental outcomes through its operations, build programmes and influence. It recognises the potential for carbon emissions of its buildings to contribute to climate change.

Our vision for sustainability is strategically aligned with the Government's commitments to international agreements, including the United Nations Paris Agreement and the Sustainable Development Goals (SDGs), as well as its focus on wellbeing as a measure of living standards. As discussed later in the report, Kāinga Ora recently strengthened its focus on wellbeing, which will be the major focus of our report for the year ending June 2020.

We demonstrate our commitment to sustainability by implementing our Customer Strategy and Programme, Environment Strategy and key measures of success outlined in the 2017–2021 Statement of Intent.<sup>1,2</sup>

In September 2019, Kāinga Ora updated its Sustainability Financing Framework (Framework) to explicitly recognise the role it plays in national wellbeing and enable it to link its financing requirements accordingly. Further detail is provided in Appendix One. References to the Framework below are to the Framework in effect during the reporting period.



1. <https://www.KaingaOra.govt.nz/about-us/investors/>

2. <https://www.KaingaOra.govt.nz/publications/>

# Our Sustainability Financing Framework

In March 2019, Kāinga Ora established the Framework. The decision to develop the Framework was motivated by an undertaking to further embed social and environmental considerations in processes and practices across our core business activities. Ensuring the Framework demonstrates alignment with and contribution to the SDGs was an additional consideration to build on this work and position us as a leader in this space.

The Framework supports and outlines how we intend to enter into Sustainability Financing Transactions (SFTs), with proceeds allocated to projects and expenditure that will deliver positive environmental and social outcomes and support our strategy and vision.

SFTs align with four core components:

- Use of proceeds
- Project evaluation and selection
- Management of proceeds
- Reporting

## Use of proceeds

The net proceeds of each SFT will be dedicated to financing new or refinancing existing projects/ expenditures, in part or in full, that fall under the following eligible categories and have been incurred no earlier than 30 June 2018.

The Framework defines the eligible categories for the use of proceeds, which, as at 30 June 2019, include:

---

### Eligible categories – Social

- Affordable housing
- Socioeconomic advancement and empowerment

---

### Eligible categories – Green

- Green buildings
  - Pollution prevention and control
- 

## Project evaluation and selection

The project evaluation and selection process ensures that the proceeds of the Kāinga Ora SFTs are earmarked for financing of new or refinancing existing projects/expenditures that meet the Framework criteria.

Kāinga Ora has formed a Sustainability Financing Working Group (SFWG) to carry out the evaluation and selection process. The SFWG consists of senior representatives from Kāinga Ora's Treasury Team and Financial Control Team and key finance business partners.

Projects shortlisted by Kāinga Ora's Treasury Team are presented to the SFWG for evaluation and selection and subsequently to the Deputy Chief Executive Finance for review and approval, as required by delegation. Any project considered as an eligible project in accordance with this Framework is allocated for the use of proceeds of an SFT under this Framework.

## Our Sustainability Financing Framework continued

### Management proceeds

To manage the proceeds of Kāinga Ora's SFTs, Kāinga Ora has established a Sustainability Financing Register. The proceeds of each Kāinga Ora SFT are earmarked against the pool of eligible projects and expenditures identified in the Sustainability Financing Register.

The Sustainability Financing Register is reviewed annually by the SFWG to account for any reallocation, repayments or drawings on the eligible projects and expenditures within the pool.

### Reporting

An annual assurance/compliance report, specifically related to sustainability financing is prepared by an appropriate external review provider and included in Appendix Four of this report.



# Impact and use of proceeds statement

## Overview

On 5 April 2019, Housing New Zealand Limited issued \$500 million of a new 7.5-year maturity October 2026 Sustainability Bond. This transaction broke new ground in the domestic market, being the first Sustainability Bond issued in New Zealand and also the first in New Zealand to align proceeds with the United Nations SDGs. Key terms of the Sustainability Bond issue are shown below:

<b>Issue rating</b>	AA+ Positive (S&P Global Ratings)
<b>Instrument</b>	Unsubordinated, fixed rate bonds
<b>Tenor</b>	7.5 years
<b>Issue date</b>	5 April 2019
<b>Maturity date</b>	5 October 2026
<b>Issue amount</b>	NZD 500,000,000
<b>Margin</b>	0.34% per annum above 7.5 year mid-swap
<b>Interest rate</b>	2.247%
<b>ISIN</b>	NZHNZD0001L7
<b>Joint-lead managers</b>	ANZ, BNZ

## Use of proceeds

Proceeds from SFTs are dedicated exclusively for financing expenditure that falls within the eligible categories outlined in the Framework.

Of the \$500 million proceeds from the October 2026 Sustainability Bond, \$250 million is earmarked to expenditure in the 2018/19 year. Of the \$250 million, \$248 million is allocated to Kāinga Ora's state house build, with \$2 million allocated to Te Waka Urungi – its Intensive Tenancy Management service.

Further detail, including target population, allocation information and social indicators, is described in the Sustainability Financing Projects Register in Appendix Two.

## Allocation of remaining proceeds from October 2026 Sustainability Bond

Kāinga Ora expects to allocate the remainder of proceeds from the October 2026 Sustainability Bond (\$250 million) in the 2019/20 year, with a focus on environmental outcomes.

Kāinga Ora has committed to a minimum Homestar 6<sup>3</sup> built certification for newly constructed one and two-level state homes contracted from 1 July 2019, with apartments coming into the scheme from 1 January 2021. Expenditure on homes rated Homestar 6 or higher count towards the green buildings eligible category within the Green Bond Principles and are expected to account for a proportion of allocated proceeds in the year ended 30 June 2020.<sup>4</sup>

Per the Framework, the \$250 million proceeds pending allocation and earmarking as at 30 June 2019 have been invested according to the Kāinga Ora Group Treasury Policy.

3. <https://www.nzgbc.org.nz/homestar>

4. <https://www.KaingaOra.govt.nz/about-us/investors/>

## Impact and use of proceeds statement continued

### Impact reporting for 2019/20 fiscal year

The Sustainability Financing Impact Report for the year ended 30 June 2020 will build on this inaugural report. This not only reflects increased experience developing suitable work programmes and indicators, but also factors such as:

- all existing notes issued by Housing New Zealand Limited being brought into the Framework as of 10 September 2019
- over \$1 billion of notes expected to be issued under the Framework in the year to 30 June 2020, subject to market conditions.

Work has begun within Kāinga Ora to embed wellbeing in its programmes and practices. This work involves ongoing engagement with key public sector entities such as The Treasury, which uses the Living Standards Framework to help them advise successive governments about the likely effects of their policy choices on New Zealanders' living standards over time.<sup>5</sup>

5. <https://treasury.govt.nz/information-and-services/nz-economy/living-standards>



## Appendix One – Update to the Framework since the reporting period

### Post year-end activities

On 5 September 2019, Kāinga Ora announced it had updated its Framework to explicitly recognise the role Kāinga Ora plays in national wellbeing and enable it to link its financing requirements accordingly.

Eligible project spend categories within the Framework have been updated to address alignment with relevant domains and capitals within Treasury’s Living Standards Framework (LSF).

The update is an extension of the alignment with International Capital Market Association Green Bond Principles, Social Bond Principles and the United Nations SDGs outlined in the original Framework.

### Introduction of Wellbeing Bonds

To further highlight the focus on wellbeing, Kāinga Ora added Wellbeing Bonds as a Sustainability Financing Transaction within the Framework. Wellbeing Bonds should be thought of as Sustainability Bonds that are also aligned with the LSF and reinforce Kāinga Ora’s focus of supporting the wellbeing of New Zealanders.

On 10 September 2019, all existing notes issued by Housing New Zealand Limited were aligned with the Framework, and on 16 September 2019, Housing New Zealand issued a further \$600 million of Wellbeing Bonds across two tranches. As at 31 October 2019, Housing New Zealand Limited had the following notes on issue, totalling \$1.90 billion:

Maturity	Coupon	On issue	Designation under Framework	Use of proceeds
12 June 2023	2.97%	\$300m	Wellbeing Bond	In accordance with the Framework
12 June 2025	3.36%	\$675m	Wellbeing Bond	
05 October 2026	2.247%	\$500m	Wellbeing Bond	
18 October 2028	3.42%	\$425m	Wellbeing Bond	
<b>Total</b>	–	<b>\$1,900m</b>	–	–

Supporting the wellbeing of New Zealanders is central to Kāinga Ora’s purpose as it undertakes projects and expenditures that contribute to greater wellbeing outcomes for the communities it serves, including sustaining and growing intergenerational wellbeing.

The establishment of Kāinga Ora on 1 October 2019 further embeds this commitment. In addition, the Government is focusing on wellbeing as a principal tenet of public policy, as highlighted in the May 2019 Wellbeing Budget.

## Appendix Two – Sustainability Financing Projects Register – Social Categories, as at 30 June 2019<sup>6</sup>

Sustainability Financing Projects Register – Social Categories											
Programme	Project category		Target population	Allocation information					Social indicators		
Project name	SBP category	SDGs addressed	Target group	Budgeted amount (NZD)	Share of total financing (%)	Eligibility of Social Bond (% of budgeted amount)	Allocated amount (NZD)	Portfolio lifetime or budgeted years	Indicator 1	Indicator 2	Indicator 3
	a.	b.	c.	d.	e.	f.	g.	h.	i.	i.	i.
Social Housing (new and retrofit) covering small, medium and large-scale projects across thousands of sites	Affordable housing	SDG 1 and SDG 11	People/households assessed as Priority A (at risk) or B (serious housing need) on the MSD Social Housing Register	3,644 million (July 2018 – July 2022)	100%	100%	248 million for 2018/19	4 years	5,295 people housed with new and/or retrofitted social housing accommodation	192 new and/or upgraded facilities financed for supported housing for customers requiring intensive support to live in their homes	49 new and/or upgraded facilities financed that include mobility considerations
Te Waka Urungi - Intensive Tenancy Management (ITM) function for Kāinga Ora customers	Socioeconomic advancement and empowerment	SDG 10 and SDG 11	The top 5% of Kāinga Ora customers identified as most at risk of poor wellbeing outcomes	10 million (June 2018 – June 2022)	100%	100%	2 million for 2018/19	4 years	Wrap-around support for customers identified as most at risk of poor wellbeing outcomes	Since first established (01 October 2018), ITM has supported 520 tenants, with 168 tenants successfully returning to regular tenancy management	Case studies

### Notes

- a. Eligible category as per the Social Bond Principles (SBPs)
- b. Relevant SDGs addressed by the financed portfolio/project and fit to the chosen SBP category:
- SDG 1: End poverty in all its forms everywhere
  - SDG 10: Reduce inequality within and among countries
  - SDG 11: Sustainable cities and communities
- c. Eligible target populations may include:
- Priority A customers on the MSD register
  - Priority B customers on the MSD register
  - the top 5% of Kāinga Ora customers most at risk of poor wellbeing outcomes
- d. Budgeted amount committed by Kāinga Ora for the portfolio components eligible for Social Bond financing
- e. Share of the total portfolio costs financed by the issuer
- f. Share of the total portfolio/project cost financed by Kāinga Ora
- g. Share of the total portfolio/project that is Social Bond eligible
- Of the total \$500 million Sustainability Bond proceeds, Kāinga Ora has earmarked \$250 million to expenditure in the 2018/19 year. The remaining \$250 million is expected to be allocated in the 2019/20 year, with a focus on environmental outcomes.
- h. Based on either expected economic life or financial life of the portfolio/project
- i. Indicators may include people, projects or facilities, e.g. number of people, hospitals

6. Green categories will apply for 2019/20, reflecting minimum Homestar 6 build certification for newly constructed one and two-level state homes from 1 July 2019.

## Appendix three - Case studies

### CASE STUDY – SUPPORTIVE HOUSING

# 139 Greys Avenue



The redevelopment of 139 Greys Avenue is a flagship for how Kāinga Ora focuses its attention into the future on the best ways to provide the highest levels of well-organised support where the needs of our customers are the most complex.

Kāinga Ora has recently received resource consent to build 276 new apartments located at our well-known site, 139 Greys Ave, in central Auckland. We will be housing more people in a supportive housing environment, which will help our customers live well in their homes.

We will be creating a welcoming, supportive and connected community within an environment that promotes greater health and wellbeing. There will be a community hub on the ground level along with a 24/7 concierge service. The building will be a safe place to live, work and visit.

There is over 2,000 sqm of floor space for residents and community activities and engagement. It will feature a shared kitchen, dining hall, recreational space and outdoor gardens for all residents to enjoy.

Of the 276 apartments, at least 200 will be retained as state homes. Of the 200 state homes, 80 will be designed for tenants with higher and complex needs. All future state tenants will be supported with 24/7 on-site wraparound support services such as healthcare, counselling and skill development.

### Timeline for this redevelopment

First quarter 2020	<ul style="list-style-type: none"><li>• Demolition is due to be completed</li><li>• Civil works begins</li></ul>
Third quarter 2020	<ul style="list-style-type: none"><li>• Construction of podium begins</li></ul>
Second quarter 2021	<ul style="list-style-type: none"><li>• Construction of the main buildings begins</li></ul>
Late 2022	<ul style="list-style-type: none"><li>• Construction complete</li><li>• Support services in place</li><li>• Tenants move in</li></ul>



Kāinga Ora's role is to contribute to sustainable, inclusive and thriving communities – this means a focus on housing and helping people live well in their homes. Te Waka Urungi plays a part in this by acting as a launch pad for tenants struggling with complex issues. The function focuses on complicated tenancy cases that require a greater level of care and attention. By pulling together a wide network of different support services, the Intensive Tenancy Management team can understand and address the issues tenants are facing in order to turn lives around.

### Case study one

#### Context

The two children of a 24-year-old mother were in the care of their grandparents, with the whole family living in the same home. The mother had physical and mental health issues and had made multiple suicide attempts. There was a very challenging family dynamic and a lack of support from other agencies.

#### The turnaround

The Intensive Tenancy Management team advocated for the necessary support from other agencies, referred the tenant for help getting work and built a trusting relationship. The mother now has her own space to focus on her health, with other agencies and whānau also providing support. She is more assertive, confident about the future and focused on getting her children back in her care.

### Case study two

#### Context

A 73-year-old male and 81-year-old female had dual tenancy of a property, alongside the grandson of one of the tenants. The female suffered from dementia, which led to her often wandering off the property. The male had previously suffered a stroke, which caused severe physical disability. The grandson had done little to maintain the property or support the elderly tenants. Support from both their doctor and other service providers was not sufficient to meet their heightened needs.

#### The turnaround

The Intensive Tenancy Management team engaged support services and helped the tenants move into a lower-maintenance property in a rest home complex. They encouraged the grandson to increase his independence, which he welcomed. New furniture was organised by the team with help from the Ministry of Social Development. A homecare team was arranged to clean the property, assist with daily routines and prepare food. Fortnightly contact with the care provider was established to monitor progress.

## Housing New Zealand

**Type of Engagement:** Annual Review

**Date:** September 2019

**Engagement Leader:** Phoebe Wang, phoebe.wang@sustainalytics.com, (+31) 20 205 0044; Begum Gursoy, begum.gursoy@sustainalytics.com, (+31) 20 205 0082

### Introduction

In 2019, Housing New Zealand (HNZ) issued sustainability bonds aimed at financing (i) Green Buildings, (ii) Pollution Prevention and Control, (iii) Affordable Housing, and (iv) Socioeconomic Advancement and Empowerment. In September 2019, HNZ engaged Sustainalytics to review the projects funded through the issued green bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the HNZ Sustainability Financing Framework.

### Evaluation Criteria

Sustainalytics evaluated the projects and assets in 2019 based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the HNZ Sustainability Financing Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Sustainability Financing Framework.

Table 1 lists the Use of Proceeds and Eligibility Criteria, while Table 2 lists the associated the KPIs.

**Table 1: Use of Proceeds and Eligibility Criteria**

Use of Proceeds	Eligibility Criteria
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>• New construction and/or retrofit of social housing that has, or will receive, minimum 6 Star Homestar rating.</li> </ul>
<b>Pollution Prevention Control</b>	<ul style="list-style-type: none"> <li>• Reduction of waste by HNZ construction activities on a kg/m<sup>2</sup> basis through:               <ul style="list-style-type: none"> <li>- standard designs for standard material sizes and reduced material types that reduce construction waste;</li> <li>- deconstruction services and waste management to recycle and reuse deconstruction waste;</li> <li>- use of materials that reduce waste and/or have recycled content.</li> </ul> </li> <li>• Reduce rate of embodied emissions through use of low embodied carbon designs and materials in HNZ developments.</li> <li>• Reduction of urban air pollution through:               <ul style="list-style-type: none"> <li>- use of surface area materials designed to reflect heat;</li> <li>- increased tree and vegetation coverage of HNZ land.</li> </ul> </li> <li>• Reduction of soil runoff rates by reduction of site runoff during/after construction.</li> </ul>
<b>Affordable Housing</b>	<ul style="list-style-type: none"> <li>• Retrofit of existing, and development of new, social housing. This includes upgrades to provide better health and</li> </ul>

	<p>wellbeing outcomes for tenants under a number of programmes including the HNZ Warm &amp; Dry programme and Healthy Homes Act requirements.</p> <ul style="list-style-type: none"> <li>• Development of accessible units which incorporate mobility considerations for building new homes as well as for redevelopment.</li> <li>• Development of supported housing for tenants requiring intensive support to live in their homes, including those utilized for Community Group Housing.</li> </ul>
<b>Socioeconomic Advancement and Empowerment</b>	<ul style="list-style-type: none"> <li>• Development of an Intensive Tenancy Management (ITM) function to provide better support for the 5 percent of HNZ customers identified as most at risk of poor wellbeing outcomes.</li> </ul>

**Table 2: Key Performance Indicators**

Key performance indicators	
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>• Green certifications obtained</li> <li>• Materials sourced sustainably (including certified products, recycled content) (%)</li> <li>• Energy/CO<sub>2</sub> savings from renovations and upgrades</li> </ul>
<b>Pollution Prevention Control</b>	<ul style="list-style-type: none"> <li>• Amount of waste reduced, reused, recycled and/or diverted from landfill (tonnes)</li> <li>• CO<sub>2</sub> and other greenhouse gas avoided/reduced through waste management (tCO<sub>2</sub>e)</li> <li>• Amount of waste that is separated and/or collected and treated (including composting) (tonnes and %)</li> <li>• Reduction of air pollutants in buildings</li> <li>• Amount of soil and land remediated</li> <li>• Amount of runoff reduced</li> </ul>
<b>Affordable Housing</b>	<ul style="list-style-type: none"> <li>• Number of people housed with new and/or retrofitted social housing accommodation</li> <li>• Number of new and/or upgraded facilities financed that include mobility considerations.</li> <li>• Number of new and/or upgraded facilities financed for supported housing for tenants requiring intensive support to live in their homes</li> </ul>
<b>Socioeconomic Advancement and Empowerment</b>	<ul style="list-style-type: none"> <li>• Type of support for customers identified as most at risk of poor wellbeing outcome</li> <li>• Case studies</li> </ul>

### Issuing Entity's Responsibility

HNZ is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact.

### Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of HNZ's Sustainability Financing Use of Proceeds. The work undertaken as part of this engagement includes collection of documentation from HNZ employees and review of documentation to confirm the conformance with the Sustainability Financing Framework.

Sustainalytics has relied on the information and the facts presented by HNZ with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by HNZ.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

### Conclusion

Based on the limited assurance procedures conducted,<sup>1</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Housing New Zealand Sustainability Financing Framework, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the HNZ Sustainability Financing Framework. HNZ has disclosed to Sustainalytics that the proceeds of the sustainability bond have not been fully allocated as of 24 September 2019.

### Detailed Findings

**Table 3: Detailed Findings**

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the sustainability bond in 2019 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Sustainability Financing Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded by the sustainability bond in 2019 to determine if impact of projects was reported in line with the KPIs outlined in the Sustainability Financing Framework and above in Table 2. For a list of KPIs reported please refer to Appendix 2.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

<sup>1</sup> Sustainalytics' limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Appendix 1: Exclusionary Criteria

HNZ's Green Bonds/Loans, Social Bonds or Sustainability Bonds exclude investments in projects that include following activities:

- Manufacture or wholesale retail of alcoholic beverages
- Manufacture or wholesale retail of tobacco products
- Ownership or operation of gambling enterprises
- Production or distribution of adult entertainment materials
- Manufacture or retail sale and distribution of weapons and small arms
- Transportation of live cattle
- Whaling
- Predatory lending activities
- Production or refining of palm oil
- Extraction or refining of fossil fuels
- Large-scale hydro projects (i.e. projects that generate greater than 20 MW of electricity)
- Technology and equipment for large scale hydro projects
- Transmission infrastructure and systems where 25% or more of electricity transmitted to the grid is fossil-fuel-generated

## Appendix 2: Impact Reporting by Eligibility Criteria

Use of Proceeds and Eligibility Criteria Category	Environmental and Social Impact Reported by Eligibility Criteria	Impact Reported
Affordable Housing	<ul style="list-style-type: none"> <li>• Number of people housed with new and/or retrofitted social housing accommodation</li> </ul>	<ul style="list-style-type: none"> <li>• 5,295</li> </ul>
	<ul style="list-style-type: none"> <li>• Number of new and/or upgraded facilities financed that include mobility considerations.</li> </ul>	<ul style="list-style-type: none"> <li>• 192</li> </ul>
	<ul style="list-style-type: none"> <li>• Number of new and/or upgraded facilities financed for supported housing for tenants requiring intensive support to live in their homes</li> </ul>	<ul style="list-style-type: none"> <li>• 49</li> </ul>

## Disclaimer

© Sustainalytics 2019. All rights reserved.

The intellectual property rights to the information contained herein is vested exclusively in Sustainalytics. No part of this deliverable may be reproduced, disseminated, comingled, used to create derivative works, furnished in any manner, made available to third parties or published, parts hereof or the information contained herein in any form or in any manner, be it electronically, mechanically, through photocopies or recordings without the express written consent of Sustainalytics.

As the information herein is based on information made available by the issuer, the information is provided “as is” and, therefore Sustainalytics does not warrant that the information presented in this deliverable is complete, accurate or up to date, nor assumes any responsibility for errors or omissions and Sustainalytics will not accept any form of liability for the substance of the deliverable and/or any liability for damage arising from the use of this deliverable and/or the information provided in it. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner.

Nothing contained in this deliverable shall be construed as to make a representation or warranty on the part of Sustainalytics, express or implied, regarding the advisability to invest in companies, selection of projects or make any kind of business transactions. It shall not be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the issuer’s economic performance, financial obligations nor its creditworthiness.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

## Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider". The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

Or contact us [info@sustainalytics.com](mailto:info@sustainalytics.com)





---

Copyright © 2019. This copyright work is licensed  
under a Creative Commons Attribution-Non-commercial  
3.0 New Zealand licence.

---