

Auckland Council Product Disclosure Statement

Offer of unsubordinated fixed rate bonds
12 June 2018

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on companiesoffice.govt.nz/disclose.

Auckland Council has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.



Arranger and Lead Manager



Co-managers



1. Key information summary

1.1 What is this?

This is an offer of unsubordinated, fixed rate bonds (**Green Bonds**). The Green Bonds are debt securities issued by Auckland Council. You give Auckland Council money, and in return Auckland Council promises to pay you interest and repay the money at the end of the term. If Auckland Council runs into financial trouble, you might lose some or all of the money you invested.

1.2 About Auckland Council

Auckland Council is the local government territorial authority for the Auckland region.

Auckland Council is responsible for a wide range of activities, including regulatory functions such as the issuing of permits and consents for building activity within the Auckland region, and the enforcement of legislation governing parking, licencing and the environment. Auckland Council, together with its council-controlled organisations (**CCOs**) (together, **Auckland Council Group**), provides infrastructure such as city streets and essential public services such as water supply, sewerage, refuse collections and street lighting. Auckland Council also operates community libraries and arts centres and provides and maintains parks and reserves and sports fields.

1.3 Purpose of this offer

The proceeds of this offer are intended to be allocated in accordance with Auckland Council's Green Bond Framework (**GB Framework**) to the financing of existing and/or planned projects and assets that deliver positive environmental outcomes and which conform to the eligibility criteria set out in the GB Framework (**Eligible Assets**) or the refinancing of corporate debt that supports Eligible Assets, in each case that align with the eligible sectors set out in the GB Framework (as updated from time to time) (**Eligible Sectors**).

No event of default

Failure by Auckland Council to allocate the proceeds of the Green Bonds as described in this PDS or comply with the GB Framework, Climate Bond Standard or the Green Bond Principles and related matters is not an Event of Default in relation to the Green Bonds and does not give Holders or Auckland Council any right to have the Green Bonds repaid early.

More information on the use of proceeds and the GB Framework is included in section 4 (Purpose of the offer) and section 5 (Key features of the Green Bonds).

1.4 Key terms of the offer

| Terms | Description |
|------------------------------------|---|
| Description of the debt securities | Unsubordinated, fixed rate bonds. |
| Offer amount | NZ\$150 million, with the ability to accept up to a further NZ\$50 million in oversubscriptions. Allocation of the Green Bonds (including oversubscriptions) shall be determined by the Arranger in consultation with Auckland Council. |
| Term and Maturity Date | 5 years maturing on Tuesday, 27 June 2023. |
| Minimum application amount | NZ\$5,000 with multiples of NZ\$1,000 thereafter. |
| Interest Rate | The Interest Rate will be fixed for the term of the Green Bonds. The Interest Rate will be equal to the Base Rate plus the Margin on the Rate Set Date. See section 3 (Terms of the offer) for more information. The Interest Rate will be announced on or about Thursday, 21 June by Auckland Council. |
| Interest Payment Dates | 27 June and 27 December each year during the term of the Green Bonds up to and including the Maturity Date, commencing on 27 December 2018. |
| Opening Date of offer | Monday, 18 June 2018. |
| Closing Date of offer | Thursday, 21 June 2018. |
| Further payments, fees or charges | You are not required to pay Auckland Council any amounts over and above the Issue Price to purchase the Green Bonds. However, you may have to pay brokerage to the firm from whom you receive an allocation of Green Bonds. Taxes may be deducted from interest payments on the Green Bonds. See section 7 (Tax) for further details. For more information on brokerage fees, please contact your broker. |

1.5 No guarantee

The Green Bonds are not guaranteed by any member of the Auckland Council Group, the Crown or any other person. Auckland Council is solely responsible for the repayment of Green Bonds.

1.6 How you can get your money out early

Neither you nor Auckland Council is able to redeem your Green Bonds before the Maturity Date. However, Auckland Council may be required to repay the Green Bonds early if there is an Event of Default. See section 5 (Key features of the Green Bonds) for more information on Events of Default.

Auckland Council intends to quote the Green Bonds on the NZX Debt Market. This means you may be able to sell them on the NZX Debt Market before the end of their term if there are interested buyers. If you sell your Green Bonds, the price you get will vary depending on factors such as the financial condition of the Auckland Council Group and movements in market interest rates. You may receive less than the full amount that you paid for them.

1.7 How the Green Bonds rank for repayment

The Green Bonds will rank equally with Auckland Council's other unsubordinated obligations that have the benefit of the security under a security document called the Debenture, under which security is granted over all rates and rates revenue of Auckland Council (**Charged Assets**). This means that if Auckland Council is put into liquidation and the security under the Debenture is enforced your rights and claims as a Holder:

- a. will rank after:
 - i. all creditors preferred by law (e.g. employee entitlements); and
 - ii. creditors with security over assets of Auckland Council (other than the Charged Assets under the Debenture) in respect of those assets or any proceeds of them;
- b. will rank equally with:
 - i. other Holders and with all other unsubordinated creditors of Auckland Council that have the benefit of the Debenture; and
 - ii. any unsecured, unsubordinated creditors of Auckland Council in respect of assets which no security has been granted over; and
- c. will rank ahead of:
 - i. any unsecured, unsubordinated creditors of Auckland Council who do not have the benefit of the security over the Charged Assets under the Debenture in respect of the Charged Assets or any proceeds of them; and
 - ii. Auckland Council's subordinated creditors (if any).

More information on how the Green Bonds rank for repayment is included in section 5 (Key features of the Green Bonds).

1.8 What assets are these Green Bonds secured against?

The Green Bonds are secured by a charge created by the Debenture over all rates from time to time set or assessed by Auckland Council and all rates revenue of Auckland Council and proceeds arising directly from the collection of those rates. There is a real risk that this security interest is insufficient to repay the Green Bonds. More information on the Debenture can be found in section 5 (Key features of the Green Bonds).

1.9 Key risks affecting this investment

Investments in debt securities have risks. A key risk is that Auckland Council does not meet its commitments to repay you or pay you interest (credit risk). Section 6 of the PDS (Risks of investing) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.

The interest rate for these Green Bonds should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the offer is fair. Auckland Council considers that the most significant risk factors are:

1. the risk that Auckland Council's ability to collect rates or other income from the services it provides significantly declines. This may occur because of a significant natural disaster in Auckland requiring a significant rebuilding of infrastructure in the Auckland region by Auckland Council;
2. the risk that Auckland Council is unable to set and therefore collect rates because it is unable to adopt a long-term plan or an annual plan; and
3. the risk of significant changes to the statutes and regulations that Auckland Council is subject to or the risk that Auckland Council fails to comply with such statutes and regulations. Significant changes to statutes and regulations that Auckland Council is subject to may affect the way it operates. The failure to comply with such statutes and regulations could allow the Crown to intervene in Auckland Council's affairs and potentially adversely affect the way it operates.

This summary does not cover all of the risks of investing in the Green Bonds. You should also read section 3 (Terms of the Offer), section 5 (Key features of the Green Bonds) and section 6 (Risks of investing).

1.10 What is Auckland Council's credit rating?

A credit rating is an independent opinion of the capability and willingness of an entity to repay its debts (in other words, its creditworthiness). It is not a guarantee that the financial product being offered is a safe investment. A credit rating should be considered alongside all other relevant information when making an investment decision.

Auckland Council has been rated by Standard & Poor's (**S&P**) and Moody's Investor Service (**Moody's**). S&P gives ratings from "AAA" through to "CC" and Moody's gives ratings from "Aaa" through to "Ca", both excluding ratings attaching to entities in default.

Auckland Council's credit rating is AA (stable outlook) from S&P and Aa2 (stable outlook) from Moody's, as highlighted in blue in the tables below. Auckland Council expects that the credit rating assigned to the Green Bonds by S&P will be AA and by Moody's will be Aa2.

| Standard & Poor's | | | | | | | | |
|--|------------------|-------------|----------|----------|-----------------|-----------------|----------------------|-----------------------------|
| Rating* | AAA | AA | A | BBB | BB | B | CCC | CC to C |
| Summary description (capacity of issuer to meet its financial obligations) | Extremely strong | Very strong | Strong | Adequate | Less vulnerable | More vulnerable | Currently vulnerable | Currently highly vulnerable |
| Approximate probability of default over 5 years*** | 1 in 600 | 1 in 300 | 1 in 150 | 1 in 30 | 1 in 10 | 1 in 5 | 1 in 2 | - |

| Moody's Investor Service | | | | | | | | |
|--|----------|----------|----------|----------|-------------|--------|-----------|----------------------------------|
| Rating* | Aaa | Aa | A | Baa | Ba | B | Caa | Ca to C** |
| Summary description (credit risk) | Minimal | Very low | Low | Moderate | Substantial | High | Very high | Likely in, or very near, default |
| Approximate probability of default over 5 years*** | 1 in 600 | 1 in 300 | 1 in 150 | 1 in 30 | 1 in 10 | 1 in 5 | 1 in 2 | - |

1.11 Where you can find other market information about Auckland Council

This is a short-form disclosure document that Auckland Council is permitted to use for this offer because the Green Bonds rank equally with existing quoted financial products of Auckland Council. The existing quoted financial products are other unsubordinated, fixed rate debt securities (NZX ticker codes AKC060, AKC070, AKC080, AKC090 and AKC100).

Auckland Council is subject to a disclosure obligation that requires it to notify certain material information to NZX for the purpose of that information being made available to participants in the market.

Investors should look at the market price of the quoted debt securities of Auckland Council in order to find out how the market assesses the returns and risk premium for those debt securities.

More information regarding Auckland Council and its quoted debt securities can be found by visiting nzx.com/companies/AKC.

* Credit ratings from S&P may be modified by the addition of "+" or "-" to show the relative standing within the "AA" to "B" categories. Moody's applies numerical modifiers 1, 2, and 3 to each of the "Aa" to "Caa" classifications to show the relative standing within those categories, with 1 indicating the higher end and 3 the lower end of the rating category.

** If a rating of "C" is given by Moody's, the issuer is typically in default.

*** The approximate, median likelihood that an investor will not receive repayment on a five-year investment on time and in full based upon historical default rates published by S&P and Moody's (source: Reserve Bank of New Zealand publication "Know Your Credit Ratings", dated March 2010).

Contents

| | | |
|-----|---|----|
| 1. | Key information summary | 1 |
| 2. | Key dates and offer process | 5 |
| 3. | Terms of the offer | 7 |
| 4. | Purpose of the offer | 11 |
| 5. | Key features of the Green Bonds | 12 |
| 6. | Risks of investing | 18 |
| 7. | Tax | 21 |
| 8. | Selling restrictions | 23 |
| 9. | Who is involved? | 29 |
| 10. | How to complain | 30 |
| 11. | Where you can find more information | 30 |
| 12. | How to apply | 31 |
| 13. | Contact information | 32 |
| 14. | Glossary | 33 |

2. Key dates and offer process

| Key dates | |
|---|---|
| Opening Date | Monday, 18 June 2018. |
| Closing Date | Thursday, 21 June 2018. |
| Rate Set Date | Thursday, 21 June 2018. |
| Issue / Allotment Date | Wednesday, 27 June 2018. |
| Expected date of initial quotation and trading of the Green Bonds on the NZX Debt Market | Thursday, 28 June 2018. |
| First Interest Payment Date | 27 December 2018. |
| Interest Payment Dates | 27 June and 27 December each year during the term of the Green Bonds up to and including the Maturity Date. |
| Maturity Date | Tuesday, 27 June 2023. |

The dates in this timetable are indicative only and are subject to change. Auckland Council may in its absolute discretion and without notice vary the timetable (including by opening or closing the offer early, accepting late applications, and extending the Closing Date). If the Closing Date is extended, the Rate Set Date, the Issue Date, the expected date of initial quotation and trading of the Green Bonds on the NZX Debt Market, the Interest Payment Dates and the Maturity Date may be extended accordingly. Any such changes will not affect the validity of any applications received.

All of the Green Bonds are reserved for clients of the Arranger, Co-managers, institutional investors and other approved participants. There is no public pool for the offer.

Auckland Council reserves the right to cancel the offer and the issue of the Green Bonds or refuse to make any allotment (or part thereof) without giving any reason.



3. Terms of offer

| Terms | |
|---|---|
| Issuer | Auckland Council. |
| Issue Price | NZ\$1.00 per Green Bond. |
| Principal Amount | NZ\$1.00 per Green Bond. |
| Term and Maturity Date | 5 years maturing on Tuesday, 27 June 2023. |
| Description of the debt securities | Unsubordinated, fixed rate bonds. |
| Offer amount | NZ\$150 million, with the ability to accept up to a further NZ\$50 million in oversubscriptions. Allocation of the Green Bonds (including oversubscriptions) shall be determined by the Arranger in consultation with Auckland Council. |
| Security | The Green Bonds are secured by a charge created by the Debenture over all rates from time to time set or assessed by Auckland Council and all rates revenue of Auckland Council and proceeds arising directly from the collection of those rates. Section 5 (Key features of the Green Bonds) contains more information on the Debenture. |
| Use of proceeds | The proceeds of this offer are intended to be allocated in accordance with the GB Framework to the financing of Eligible Assets or the refinancing of corporate debt that supports Eligible Assets, in each case that align with the Eligible Sectors. The Supervisor has no obligations in relation to the application of the proceeds of the Green Bonds. Section 5 (Key features of the Green Bonds) contains more information on use of proceeds. |
| Minimum application amount | NZ\$5,000 with multiples of NZ\$1,000 thereafter. |
| Interest Rate | The Interest Rate will be fixed for the term of the Green Bonds. The Interest Rate will be equal to the Base Rate plus the Margin on the Rate Set Date. The Interest Rate will be announced by Auckland Council via NZX on the Rate Set Date. Further information regarding the Base Rate and the Margin is set out below. |
| Base Rate | The semi-annual mid market swap rate for an interest rate swap from the Issue Date to the Maturity Date as calculated by the Arranger on the Rate Set Date in accordance with market convention with reference to Reuters page ICAPAUKIWISWAP1 and expressed on a semi-annual basis, rounded to 2 decimal places, if necessary with 0.005 being rounded up. |
| Margin | The Margin will be a percentage rate per annum set on the Rate Set Date following a bookbuild process conducted by the Arranger. |
| Indicative Margin range | Will be announced on the Opening Date. |
| Opening Date | Monday, 18 June 2018. |
| Closing Date | Thursday, 21 June 2018. |
| Issue / Allotment Date | Wednesday, 27 June 2018. |

| | |
|---|---|
| Interest Payment Dates | 27 June and 27 December each year during the term of the Green Bonds up to and including the Maturity Date, commencing on 27 December 2018. |
| Interest payments | Interest will be payable semi-annually in arrear in two equal amounts on each Interest Payment Date. If the Green Bonds are repaid on a date that is not an Interest Payment Date following an Event of Default, the interest payable on the date of repayment will be adjusted to reflect the number of days from the previous Interest Payment Date (or the Issue Date if the Green Bonds are repaid prior to the first Interest Payment Date) to the date of repayment. |
| How to apply | Application instructions are set out in section 12 (How to apply). |
| Further payments, fees or charges | You are not required to pay Auckland Council any amounts over and above the Issue Price to purchase the Green Bonds. However, you may have to pay brokerage to the firm from whom you receive an allocation of Green Bonds. Taxes may be deducted from interest payments on the Green Bonds. See section 7 (Tax) for further details. For more information on brokerage fees, please contact your broker. |
| Quotation | Auckland Council has applied to NZX for permission to quote the Green Bonds on the NZX Debt Market. NZX ticker code AKC110 has been reserved for the Green Bonds. For details on how to trade Green Bonds on the NZX Debt Market refer to "Trading your Green Bonds on the NZX Debt Market" below. |
| Expected date of initial quotation and trading of the Green Bonds on the NZX Debt Market | Thursday, 28 June 2018. |
| Minimum transfer amounts | The Green Bonds may only be transferred in multiples of NZ\$1,000. However, no transfer may be effected if it would result in the transferor or transferee holding an aggregate principal amount of less than the minimum holding of NZ\$5,000 (other than zero). |
| Early redemption | Neither you nor Auckland Council is able to redeem your Green Bonds before the Maturity Date. However, Auckland Council may be required to repay the Green Bonds early if there is an Event of Default. |
| Events of Default | If an Event of Default occurs the Supervisor may in its discretion, and will immediately upon being directed to do so by an Extraordinary Resolution, by notice in writing to Auckland Council, declare the Green Bonds to be immediately due and payable. Section 5 (Key features of the Green Bonds) contains more information on Events of Default. |
| Liquidity | If you wish to realise your investment before the Maturity Date, you may offer your Green Bonds for sale at the prevailing market price. If liquidity is low, you may be unable to sell your Green Bonds at an acceptable price or at all. |

| | |
|--------------------------------------|--|
| Record Date | 6pm on the tenth date before the due date for the making of that payment. |
| Business day convention | If a payment date is not a Business Day, Auckland Council will make payment on the next Business Day. |
| Ranking of Green Bonds | <p>The Green Bonds are unsubordinated obligations of Auckland Council.</p> <p>The Green Bonds will rank:</p> <ul style="list-style-type: none"> a. after: <ul style="list-style-type: none"> i. all creditors preferred by law (e.g. employee entitlements); and ii. creditors with security over assets of Auckland Council (other than the Charged Assets under the Debenture) in respect of those assets or any proceeds of them; b. equally with: <ul style="list-style-type: none"> i. other Holders and with all other unsubordinated creditors of Auckland Council that have the benefit of the Debenture; and ii. any unsecured, unsubordinated creditors of Auckland Council in respect of assets which no security has been granted over; and c. ahead of: <ul style="list-style-type: none"> i. any unsecured, unsubordinated creditors of Auckland Council who do not have the benefit of the security over the Charged Assets under the Debenture in respect of the Charged Assets or any proceeds of them; and ii. Auckland Council's subordinated creditors (if any). <p>Section 5 (Key features of the Green Bonds) contains more information on the ranking of the Green Bonds.</p> |
| Trust documents and Debenture | <p>The terms and conditions of the Green Bonds are set out in the Master Trust Deed, as modified and supplemented by the Supplemental Trust Deed (Trust Documents). Holders are bound by, and are deemed to have notice of, the Trust Documents. For the purpose of the Trust Documents, the Green Bonds will constitute series number 9.</p> <p>The terms and conditions of the security are set out in the Debenture.</p> <p>Trustees Executors Limited is the Supervisor under the Trust Documents and the Security Trustee under the Debenture.</p> <p>You may obtain a copy of the Trust Documents and the Debenture free of charge from the Disclose Register at companiesoffice.govt.nz/disclose.</p> |
| Other debt securities | Auckland Council may issue other Green Bonds under the Trust Documents (as well as other debt instruments under the Master Trust Deed or other programme documents) without your consent on such terms as it thinks fit. |

| | |
|-------------------------------------|--|
| <p>NZX waivers for offer</p> | <p>NZX has approved the inclusion of transfer restrictions in the Trust Documents permitting Auckland Council to refuse a transfer of the Green Bonds if the transfer is not in multiples of NZ\$1,000 and/or results in the transferor or transferee holding an aggregate principal amount of less than the minimum holding of NZ\$5,000 (other than zero). A copy of the PDS can be found on Auckland Council’s website at aucklandcouncil.govt.nz/about-auckland-council/business-in-auckland/Pages/investor-centre.aspx. Auckland Council will ensure that this PDS is available on its website for as long as Auckland Council intends to rely on these transfer restrictions.</p> <p>NZX has granted Auckland Council a waiver in respect of the Green Bonds from the requirement in Main Board/Debt Market Listing Rule 5.2.3 (as modified by NZX’s ruling on Rule 5.2.3 issued on 29 September 2015) to enable Auckland Council to apply for quotation on the NZX Debt Market even though the Green Bonds may not initially be held by at least 100 members of the public holding at least 25% of the Green Bonds issued. The waiver has been granted for a period of 6 months from the date of quotation of the Green Bonds on the NZX Debt Market. The effect of the waiver from NZX Listing Rule 5.2.3 is that initially the Green Bonds may not be widely held and there may be reduced liquidity in the Green Bonds. To the extent that there is a material reduction in the spread of the Green Bonds, Auckland Council will notify NZX accordingly. A copy of the waiver is available on the Disclose Register at companiesoffice.govt.nz/disclose.</p> |
| <p>Selling restrictions</p> | <p>The offer and subsequent transfers of Green Bonds are subject to the selling restrictions contained in section 8 (Selling restrictions).</p> <p>By its subscription for or the purchase of the Green Bonds, each Holder agrees to indemnify Auckland Council, the Arranger, Co-managers, Organising Participant, the Supervisor, the Security Trustee and the Registrar and their respective directors, officers, employees and agents (each an Indemnified Person) in respect of any loss, cost, claim, fine, damages, liability or expense sustained or incurred by that Indemnified Person as a result of the breach by that Holder of the selling restrictions contained in section 8 (Selling restrictions).</p> |
| <p>No Crown guarantee</p> | <p>No obligation of Auckland Council under or in respect of the Green Bonds is guaranteed by the Crown. Payments by Auckland Council of principal and interest with respect to Auckland Council’s outstanding indebtedness, including the Green Bonds, are not supported by any guarantee by the Crown. The Crown is not obliged or legally required to provide any support in respect of the Green Bonds.</p> |
| <p>Governing Law</p> | <p>New Zealand.</p> |

4. Purpose of the offer

The proceeds of this offer are intended to be allocated in accordance with the GB Framework to the financing of Eligible Assets or the refinancing of corporate debt that supports Eligible Assets, in each case that align with the Eligible Sectors. The use of the money raised will not change depending on the total amount that is raised.

Failure by Auckland Council to allocate the proceeds of the Green Bonds as described in this PDS or comply with the GB Framework, Climate Bond Standard or Green Bond Principles and related matters is not an Event of Default in relation to the Green Bonds and does not give Holders or Auckland Council any right to have the Green Bonds repaid early.

More information on the intended use of proceeds of the offer is included in section 5 (Key features of the Green Bonds).

The offer is not underwritten.



5. Key features of the Green Bonds

5.1 General

A number of the key features of the Green Bonds are described in section 3 (Terms of the offer). The other key features of the Green Bonds are described below. The information in section 3 and this section includes summaries of certain terms of the Trust Documents and the Debenture. Those documents can be obtained free of charge from the Disclose Register at companiesoffice.govt.nz/disclose.

5.2 Ranking and security

5.2.1 Ranking

The Green Bonds are unsubordinated obligations of Auckland Council that are secured by the Debenture. On a liquidation of Auckland Council, amounts owing to holders of the Green Bonds rank equally with all other unsubordinated creditors of Auckland Council that are secured under the Debenture, including Auckland Council's existing quoted debt securities.

| Ranking on a liquidation of Auckland Council | Liabilities | Indicative amount of existing liabilities and equity of Auckland Council (NZ\$ million) ¹ |
|--|--|--|
| Liabilities that rank in priority to the Green Bonds | Liabilities preferred by law, including employee entitlements | \$1,233 |
| | Liabilities which are secured by assets (other than Charged Assets) and which rank ahead of the Green Bonds in relation to those assets or any proceeds of them | \$40 |
| Liabilities that rank equally with the Green Bonds (including the Green Bonds) | Unsubordinated liabilities that have the benefit of the Debenture, including Auckland Council's existing quoted debt securities | \$8,512 |
| | Unsecured, unsubordinated liabilities in relation to assets which no security has been granted over | \$1,591 |
| Liabilities that rank below the Green Bonds | Unsecured, unsubordinated liabilities in respect of unsecured, unsubordinated creditors who do not have the benefit of security over the Charged Assets under the Debenture in respect of the Charged Assets or any proceeds of them | \$1,172 |
| | Subordinated creditors | \$0 |
| Equity | N/A | N/A ² |

¹ The indicative amounts stated in the table assume \$150 million of Green Bonds are issued and are based on the financial position of Auckland Council as at 31 December 2017, but adjusted as if \$150 million of Green Bonds had been issued at that date. This means that the amount of liabilities ranking equally with the Green Bonds stated in the table exceeds by \$150 million the corresponding amount derived from Auckland Council's most recent financial statements. The actual amounts of liabilities of Auckland Council at the point of a liquidation will likely be different to the indicative amounts set out above.

² Auckland Council does not have any shareholder equity but has ratepayer equity of \$36,765.1 million. Ratepayer equity is the Auckland community's interest in Auckland Council.

5.2.2 Further liabilities ranking equally or in priority to the Green Bonds

There are no restrictions on Auckland Council creating further liabilities that, on a liquidation of Auckland Council, would rank equally with the Green Bonds. There is no restriction in the Debenture or the Trust Documents on the amount of debt which Auckland Council may issue or raise. Auckland Council could therefore, at any time after the Issue Date, create further liabilities that rank equally with the Green Bonds. These further liabilities could, for example but without limitation, be a new series of Green Bonds or other bonds issued under the Master Trust Deed which will have the benefit of the Debenture. There are also no restrictions on Auckland Council creating further liabilities which have the benefit of security over assets of Auckland Council other than the Charged Assets that, on a liquidation of Auckland Council, would rank in priority to the Green Bonds in respect of those assets.

5.2.3 Security

The Green Bonds are secured by the charge created by the Debenture. Under the Debenture, a charge is created over all rates from time to time set or assessed and all rates revenue of Auckland Council and proceeds arising directly from the collection of those rates (Charged Assets). The charge over the Charged Assets is first ranking except to the extent that other claims are given priority against those assets by New Zealand law (such as employee entitlements).

The charge under the Debenture is for the benefit of:

- a. the Supervisor on behalf of the Holders; and
- b. all persons to whom the benefit of the charge under the Debenture has been, or is in the future, extended (such as financial institutions who have provided loan facilities to Council or holders of other domestic and offshore debt securities issued by Auckland Council).

The persons who have the benefit of the security under the Debenture are collectively referred to as Stockholders.

There is a real risk that this security interest is insufficient to repay the Green Bonds.

The estimated amount of total liabilities with the benefit of the Debenture as at 31 December 2017 is NZ\$8.512 billion, but adjusted as if \$150 million of Green Bonds had been issued at that date.

The estimated total value of the rates revenue for the year ended 30 June 2018 is NZ\$1.71 billion³.

It should be noted that:

- a. Only the Charged Assets are the subject of the charge under the Debenture. No other assets of Auckland Council are charged under the Debenture.
- b. Only the Supervisor is entitled to enforce the provisions of the Trust Documents unless it fails to do so, in which case the Holders may enforce the provisions of the Trust Documents.
- c. Only the Supervisor is entitled to seek enforcement (in the manner described below) of the security interest created by the Debenture. A Holder is not entitled to take enforcement action directly against Auckland Council under the Debenture.

When and how the security may be enforced

Enforcement of the security over the Charged Assets is a two-stage process involving:

- a. enforcement action under the Trust Documents following an Event of Default; and then
- b. enforcement action under the Debenture.

³ As Auckland Council's rates revenue is collected over an annual period, the value of the rates revenue held by Auckland Council at any point in time is not reflective of the rates revenue to be collected for that annual period. Accordingly, the estimated value of the rates revenue for the year ended 30 June 2018 has been inserted.

Events of Default under the Master Trust Deed include:

- a. failure by Auckland Council to pay interest on, or repay principal of, the Green Bonds (certain limited grace periods apply);
- b. material breach of a material covenant under the Trust Documents; and
- c. an Enforcement Event occurs under the Debenture. This could occur, for example, if there is a default by Auckland Council in relation to other debt securities issued by it which have the benefit of the security created by the Debenture.

For full details of the Events of Default see clause 12.1 of the Master Trust Deed.

However, as stated under section 5.3 (Use of proceeds) below, failure by Auckland Council to allocate the proceeds of the Green Bonds as described in this PDS or comply with the GB Framework, Climate Bond Standard or the Green Bond Principles and related matters is not an Event of Default in relation to the Green Bonds and does not give Holders or Auckland Council any right to have the Green Bonds repaid early.

If an Event of Default occurs, the Supervisor may in its discretion, and must immediately upon being directed to do so by an Extraordinary Resolution, declare the Green Bonds to be immediately due and payable.

Enforcement under the Debenture

If the Green Bonds were declared immediately due and payable, and Auckland Council failed to repay them, the Supervisor would request the Security Trustee to enforce the security under the Debenture, by appointing a receiver to collect Auckland Council's rates and apply them in repayment of the amounts owing to Holders.

However, any enforcement action is subject to the following limitations:

- a. Subject to paragraph (b) below, the Security Trustee has a discretion as to whether to enforce the security under the Debenture. In making a decision, it would have regard to the interests of all Stockholders having the benefit of the security created by the Debenture, not just the interests of Holders.
- b. The Security Trustee is obliged to enforce the security if directed by a Debenture Extraordinary Resolution. However, because all Stockholders have the right to vote on this resolution, there is a risk that it would not be passed.
- c. While any receiver appointed by the Security Trustee is able to exercise Auckland Council's powers to collect and enforce payment of rates, the receiver is required by law to ensure that it does not take action which prevents Auckland Council from providing services that are essential for the maintenance of public health and safety. This may limit how much a receiver could apply to repayment of amounts owed to Holders and other Stockholders.

Unsecured claims

If the proceeds realised from enforcement against the Charged Assets are insufficient to meet all amounts owing to Holders, an unsecured claim may be brought against the unsecured assets of Auckland Council. This claim would rank equally with the claims of all other unsecured, unsubordinated creditors of Auckland Council. However, enforcement action in relation to many of Auckland Council's significant assets (for example, many of Auckland Council's parks and reserves) is limited. In addition, the disposal of Auckland Council's strategic assets (identified in Auckland Council's Significance Policy which can only be amended through a special consultative process) needs to be explicitly provided for in Auckland Council's long-term plan, and consulted on through the consultation document for the long-term plan. These strategic assets include, for example, Auckland Council's interests in Ports of Auckland and Auckland International Airport Limited, Auckland Council's infrastructure assets and key public buildings, such as the Auckland Art Gallery.

5.3 Use of proceeds

Green Bond Framework

Auckland Council has implemented a framework under which Auckland Council will issue and manage bonds (including the Green Bonds) to finance or refinance projects or assets that deliver positive environmental outcomes on an on-going basis (**GB Framework**). The GB Framework may be updated from time to time. The initial GB Framework can be found free of charge on the Disclose Register at companiesoffice.govt.nz/disclose and the then current GB Framework can be found free of charge on Auckland Council's website at aucklandcouncil.govt.nz/about-auckland-council/business-in-auckland/Pages/investor-centre.aspx.

The GB Framework aligns with the International Capital Markets Association Green Bond Principles (**GBP**) which are voluntary process guidelines for the issuance of green bonds globally and covers the following key parameters of green bond issuance:

1. use of proceeds;
2. process for evaluation and selection of eligible assets (to which proceeds will be applied);
3. management of proceeds; and
4. reporting.

In accordance with the GB Framework, the proceeds of Green Bonds are intended to be allocated to the financing of existing and/or planned projects and assets that deliver positive environmental outcomes and which conform to the eligibility criteria set out in the GB Framework (**Eligible Assets**) or the refinancing of corporate debt that supports Eligible Assets. When selecting the Eligible Assets, Auckland Council is to take into account the objectives, features and benefits set out in the GB Framework including, among other things, conformance with the GBP and alignment with the following Eligible Sectors (and associated eligibility criteria as set out in the GB Framework):

1. renewable energy;
2. energy efficiency;
3. efficient buildings;
4. waste management;
5. sustainable land use;
6. low carbon transportation;
7. climate change adaptation; and
8. sustainable water management.

Other Eligible Sectors may be added over time in accordance with the GB Framework.

The initial list of Eligible Assets to which the proceeds of the Green Bonds will be allocated can be found free of charge on the Disclose Register at companiesoffice.govt.nz/disclose and on Auckland Council's website at aucklandcouncil.govt.nz/about-auckland-council/business-in-auckland/Pages/investor-centre.aspx. The list of Eligible Assets may be amended over the term of the Green Bonds by the removal or addition of projects or assets. Auckland Council will publish a report annually which sets out the then current list of Eligible Assets and a summary of the environmental outcomes that have been delivered by the Eligible Assets. The report (when available) will be made publicly available free of charge on Auckland Council's website at aucklandcouncil.govt.nz/about-auckland-council/business-in-auckland/Pages/investor-centre.aspx.

Auckland Council has also implemented processes to ensure that proceeds from the Green Bonds are allocated, tracked and reported separately to ensure that they are allocated to Eligible Assets in accordance with the GB Framework. Such processes also include the management of any proceeds which during the term of the Green Bonds become unallocated to Eligible Assets (e.g. because an Eligible Asset is sold).

Certification

Under the GB Framework, Auckland Council may choose to seek certification for the bonds being issued. In respect of the Green Bonds, Auckland Council has obtained certification from the Climate Bonds Initiative (**CBI**). CBI is an international organisation established to promote investments that will deliver a global low-carbon and climate resilient economy. CBI has implemented the Climate Bonds Standard, currently version 2.1 (**Climate Bond Standard**) which sets out criteria to verify that the funds of debt instruments are being used to finance such investments.

Briefly, the CBI certification process involves both pre-issuance and post-issuance certification. The pre-issuance certification consists of assessment of Auckland Council's internal processes, including its selection process for Eligible Assets and the internal tracking of proceeds. As part of the CBI pre-issuance certification process, Auckland Council has obtained assurance from an independent verifier, EY, that the GB Framework and related processes meet the Climate Bond Standard and the GBP requirements, and the relevant pre-issuance criteria (in the Climate Bond Standard and GBP) in all material respects. Auckland Council has obtained the CBI certification certifying that Auckland Council has met the criteria set out in the Climate Bond Standard in respect of the Green Bonds. A copy of EY assurance statement and the CBI certification can be found free of charge on the Disclose Register at companiesoffice.govt.nz/disclose and on Auckland Council's website at aucklandcouncil.govt.nz/about-auckland-council/business-in-auckland/Pages/investor-centre.aspx. Both EY and CBI have consented to the EY assurance statement and the CBI certification respectively being made available on the Disclose Register and Auckland Council's website.

In respect of the post-issuance certification, Auckland Council will seek to obtain further assurance to reconfirm the CBI certification at least once during the term of the Green Bonds.

No Event of Default

Failure by Auckland Council to:

1. allocate the proceeds of the Green Bonds as described above;
2. comply with the CBI criteria or the GBP in respect of the Green Bonds;
3. maintain CBI certification of the Green Bonds;
4. comply with any environmental laws and standards in respect of the Eligible Assets or otherwise;
5. receive further assurance;
6. comply with the GB Framework (including updating its website in respect of the Green Bonds);
7. notify Holders that the Green Bonds cease to comply with the GB Framework, GBP or the Climate Bond Standard; or
8. in any other way ensure that the Green Bonds retain their green attributes,

is not an Event of Default or other default or breach of any obligation under the Trust Documents and does not have the result of requiring, or permitting Holders to require, the Green Bonds to be repaid.

The Supervisor has no obligations in relation to the application of the proceeds of the Green Bonds.



6. Risks of investing

6.1 General risks

An investment in the Green Bonds is subject to the general risks that:

- a. Auckland Council becomes insolvent and is unable to meet its obligations under the Green Bonds, including the obligations to pay interest on, and repay the Principal Amount of, the Green Bonds; and
- b. if you wish to sell your Green Bonds before maturity:
 - i. you may be unable to find a buyer for some or all of your Green Bonds due to lack of demand or because the Green Bonds cease to be traded on the NZX Debt Market; or
 - ii. the price at which you are able to sell your Green Bonds is less than the Principal Amount paid for the Green Bonds due to interest rate movements, changes to the Green Bonds' and/or Auckland Council's credit rating, market fluctuations or for other reasons. In particular, Auckland's infrastructure demands could result in Auckland Council's current credit ratings falling.

6.2 Specific risks relating to Auckland Council's creditworthiness

Auckland Council is exposed to a number of risks that may affect its activities and therefore its financial performance and creditworthiness. These risks are relevant to an investment in the Green Bonds as:

- a. they may affect Auckland Council's ability to pay interest and/or repay principal on the Green Bonds; and
- b. the value of the Green Bonds may depend at least in part on Auckland Council's financial performance and creditworthiness.

The risks set out below have been included in this section, as required by the FMC Regulations, as being risks which are particularly significant to Auckland Council. This PDS does not cover all of the risks of investing in the Green Bonds. Before investing in the Green Bonds, investors should carefully consider these risk factors (together with the other information in this PDS). There is no guarantee or assurance that the significance of the risks set out below will not change over time or that other risks not currently identified as significant may in the future become significant.

Risks relating to collection of revenue

To meet its payment obligations under the Green Bonds, Auckland Council relies on its ability to collect rates and other revenue from the services it provides (for example, water management and transport).

Auckland Council is responsible for the infrastructure for the Auckland region. In the event of a significant natural catastrophe, Auckland Council will need to ensure that the Auckland region's infrastructure (for example, storm water and waste water infrastructure and roads) are rebuilt. Auckland Council will apply its rates revenue to pay for the rebuild of such infrastructure in addition to its other assets. Auckland ratepayers may also be less able or willing to pay their rates for various reasons, including that their properties may be rendered uninhabitable due to damage to their properties or the decrease in services being provided by Auckland Council. Accordingly, the occurrence of such an event could have a significant impact on the ability of Auckland Council to pay interest on the Green Bonds (either on time or at all) or to repay the Principal Amount of the Green Bonds on the Maturity Date.

Auckland Council seeks to mitigate this risk by having a defined financial risk mitigation strategy. Two key components of this strategy are Auckland Council's statutory obligation to manage a balanced budget on an annual basis and Auckland Council's insurance programme where Auckland Council maintains insurance cover through a balance of offshore and local insurers, together with a portion of self-insurance. Auckland Council's insurance programme is based on a risk profiling of Auckland Council, taking into account the location and criticality of assets and risks involved, and loss modelling to determine cover and limits.

Auckland Council believes that, in the normal course of business, the mitigation strategies outlined above should be sufficient to prevent any material adverse effect on Auckland Council and consequently, Holders. However, the risk may be more difficult to mitigate if a significant event occurs which affects the whole Auckland region.

Risks relating to setting rates

Auckland Council's ability to set and collect rates and other revenue may be affected by its ability to adopt a long-term plan or an annual plan. Auckland Council is required by law to consult on and adopt a long-term plan before the commencement of its financial year (being 1 July) every three years. During the term of the Green Bonds, Auckland Council will be required to adopt long-term plans in June 2018 and in June 2021. These plans are subject to an external audit and must set out spending intentions, planned revenue sources and prospective financial statements (among other things) for a ten-year period. Failing to comply with these legislative requirements may constrain its ability to set, assess and collect rates and impose some fees and charges. It may also constrain Auckland Council's ability to dispose of assets and access funding streams from the Government.

In the intervening years (i.e. non-long-term plan years), Auckland Council is required to adopt an annual plan before the commencement of the financial year to which the annual plan relates. Auckland Council's ability to set and collect rates in any financial year is dependent on Auckland Council adopting an annual plan by the end of each financial year. In a long-term plan year, the financial statement and funding impact statement in that long-term plan are regarded as the annual plan for that financial year. Auckland Council sets rates for each financial year in accordance with its long-term plan and funding impact statement for the relevant financial year. If Auckland Council fails to adopt an annual plan before 1 July each year, it is only able to collect up to 25% of the rates that were payable in the previous year. There are no statutory provisions for the collection of the remaining 75% of rates. In such case, the rates collected for the relevant financial year may not match Auckland Council's liabilities for that financial year.

Accordingly, a failure by Auckland Council to adopt a long-term plan or an annual plan and therefore to set rates may have a significant impact on Auckland Council's revenue and ability to meet its liabilities or make payments as they fall due, including in respect of the Green Bonds. In addition, failure to adopt either plan would increase the risk of Crown intervention which is discussed in more detail under the **Crown regulation** heading below.

Mitigation and impact of risks

Auckland Council seeks to mitigate these risks through the use of a wide range of internal and external controls and quality assurance processes. This includes the use of internal and external audit, an Audit and Risk Committee (with independent members and an independent chair) and a full legal review using internal and external legal experts.

Auckland Council believes that, in the normal course of business, these mitigation strategies should be sufficient to prevent such risks arising. However, given the nature of the risks outlined above, it is impossible to predict in advance how likely they are to arise.

Risks relating to Crown regulation

The structure of Auckland Council is defined by a number of statutes. These include the Local Government Act 2002, the Local Government (Auckland Council) Act 2009 and the Local Government (Rating) Act 2002. A significant failure to comply with those statutes and regulations, which includes, for example, the requirement to adopt a long-term plan or an annual plan, could allow the Crown to intervene in Auckland Council's affairs. Auckland Council seeks to mitigate the risk of Crown intervention by prudently managing its affairs as set out in more detail under the heading "Mitigation and impact of risks" above.

Auckland Council could also be impacted by changes to those statutes, or by regulations which can be made under them which may affect the way Auckland Council operates. For example, under the Local Government Act 2002, the Crown can introduce regulations prescribing benchmarks for assessing whether Auckland Council is prudently managing its revenues, expenses, assets, liabilities, investments and general financial dealings. Auckland Council seeks to mitigate the risk of legislative changes by maintaining positive relationships with the Crown to enable Auckland Council to collaborate with the Crown on any legislative changes that impact Auckland Council.

Crown intervention or legislative changes may impact on Auckland Council's revenue and ability to meet its liabilities or make payments as they fall due, including in respect of the Green Bonds. The likelihood and the extent of the impact of Crown intervention or legislative changes are impossible to predict in advance. Auckland Council believes that, in the normal course of business, the mitigation strategies outlined above should be sufficient to prevent any material adverse effect on Auckland Council and consequently, Holders.



7. Tax

The returns on the Green Bonds will be affected by taxes.

A deduction on account of New Zealand resident withholding tax will be made from the payment of interest under a Green Bond to a person if:

- a. such person is:
 - i. resident in New Zealand; or
 - ii. a registered bank that is not resident in New Zealand but is engaged in business in New Zealand through a fixed establishment and is not associated with Auckland Council; or
 - iii. not resident in New Zealand but holds the relevant Green Bond for the purposes of a business they carry on in New Zealand through a fixed establishment; or
 - iv. otherwise a person, the payment of interest to whom will be subject to resident withholding tax (**RWT**),
 - v. (each a **New Zealand Holder**); and
- b. at the time of such payment, the New Zealand Holder does not hold a valid Exemption Certificate for resident withholding tax purposes and is not otherwise exempt from RWT.

Auckland Council is not obliged to make any additional payments where a deduction on account of RWT is made or required.

Although New Zealand law requires a deduction on account of non-resident withholding tax to be made from the payment of interest under a Green Bond to a person who is not a New Zealand Holder (**non-New Zealand Holder**), Auckland Council intends (to the extent permitted by law and for so long as they do not incur any increased cost or detriment from so doing) to reduce the applicable rate of non-resident withholding tax to zero per cent by registering the Green Bonds with the Inland Revenue Department and paying, on their own account, an approved issuer levy which is currently equal to zero per cent, of the relevant interest payment on the basis that the Green Bonds meet the requirements of section 86IB of the Stamp and Cheque Duties Act 1971.

Auckland Council will not be required to and will not make any additional payments by way of gross-up or otherwise with respect to the deduction or withholding from payment or as otherwise required by law. If, in respect of any Green Bond, the Registrar or Auckland Council becomes liable to make any payment of, or on account of, tax payable by any Holder (including, if applicable, any other person who beneficially derives interest under the relevant Green Bond), then the Registrar and Council will be indemnified by the relevant Holder in respect of such liability.

Where a non-New Zealand Holder derives interest under a Green Bond jointly with one or more persons, and one or more of those persons is resident in New Zealand for income tax purposes, the approved issuer levy regime will not apply to interest paid to the non-New Zealand Holder and (subject to any applicable double tax treaty) the non-resident withholding tax imposed will equate to the applicable rate of RWT. Auckland Council is not obliged to make any additional payments to such non-New Zealand Holders where a deduction on account of non-resident withholding tax is made.

The summary above is based on the taxation laws in force in New Zealand as at the date of this PDS. Future changes to these or other laws may affect the tax consequences of an investment in the Green Bonds. There may be other tax consequences for Holders from acquiring or disposing of the Green Bonds, including under the financial arrangements rules in the Income Tax Act 2007.

If you have any questions regarding the tax consequences of investing in the Green Bonds (whether relating to New Zealand or overseas taxation) you should seek professional advice from a tax advisor.



8. Selling restrictions

General

The Green Bonds may only be offered to investors in New Zealand and to investors in the jurisdictions set out below.

No action has been or will be taken by Auckland Council which would permit an offer of Green Bonds, or possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand).

Green Bonds may only be offered for sale or sold in New Zealand in conformity with all applicable laws and regulations in New Zealand and the jurisdictions set out below in conformity with all applicable laws and regulations and the selling restrictions set out below relating to those jurisdictions.

No person may purchase, offer, sell, distribute or deliver Green Bonds, or have in their possession, publish, deliver or distribute to any person, any offering material or any documents in connection with the Green Bonds, in New Zealand and the jurisdictions set out below other than in compliance with all applicable laws and regulations and the selling restrictions set out below relating to those jurisdictions.

United States of America

The Green Bonds have not been and will not be registered under the Securities Act of 1933, as amended (**Securities Act**) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

None of Auckland Council, the Arranger or any Co-manager nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts in relation to the Green Bonds, and each of Auckland Council, the Arranger and the Co-managers have complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act.

The Green Bonds will not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the completion of the distribution of all Green Bonds of the Tranche of which such Green Bonds are part, as determined and certified by the Arranger and the Co-managers, except in accordance with Rule 903 of Regulation S under the Securities Act. Any Green Bonds sold to any distributor, dealer or person receiving a selling concession, fee or other remuneration during the distribution compliance period require a confirmation or notice to the purchaser at or prior to the confirmation of the sale to substantially the following effect:

“ The Green Bonds covered hereby have not been registered under the United States Securities Act of 1933, as amended (the ‘Securities Act’) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act) (i) as part of their distribution at any time or (ii) otherwise until forty days after the later of the commencement of the offering of the Green Bonds and the closing date except in either case pursuant to a valid exemption from registration in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S. ”

Until 40 days after the completion of the distribution of all Green Bonds of the Tranche of which those Green Bonds are a part, an offer or sale of the Green Bonds within the United States by the Arranger, a Co-manager or any dealer or other distributor (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Regulation S.

Relevant Member States of the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) no Green Bonds have been offered and no Green Bonds will be offered that are the subject of the offering contemplated by this PDS in relation thereto to the public in that Relevant Member State except that an offer of Green Bonds to the public in the Relevant Member State may be made with effect from the Relevant Implementation Date:

- a. to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- b. to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Arranger or relevant Co-manager (as applicable) nominated by Auckland Council for any such offer; or
- c. in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the Green Bonds shall require Auckland Council or either the Arranger or any Co-manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Green Bonds to the public in relation to any Green Bonds in any Relevant Member State” means the communication in any form and by any means of sufficient information on the terms of the offer and the Green Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Green Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

No communication, invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (**FSMA**)) has been or may be made or caused to be made or will be made in connection with the issue or sale of the Green Bonds in circumstances in which section 21(1) of the FSMA applies to Auckland Council.

All applicable provisions of the FSMA with respect to anything done in relation to the Green Bonds in, from or otherwise involving the United Kingdom must be complied with.

The Netherlands

No Green Bonds have been or will be offered in the Netherlands other than to persons or entities which are qualified investors (*gekwalificeerde beleggers*) as defined in article 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

Any Co-manager that did and does not have or if the Arranger did and does not have the requisite Dutch regulatory capacity to make offers or sales of financial instruments in The Netherlands has represented and agreed with Auckland Council that it has not offered or sold and will not offer or sell any of the Green Bonds in The Netherlands other than through one or more investment firms acting as principals and having the Dutch regulatory capacity to make such offers or sales.

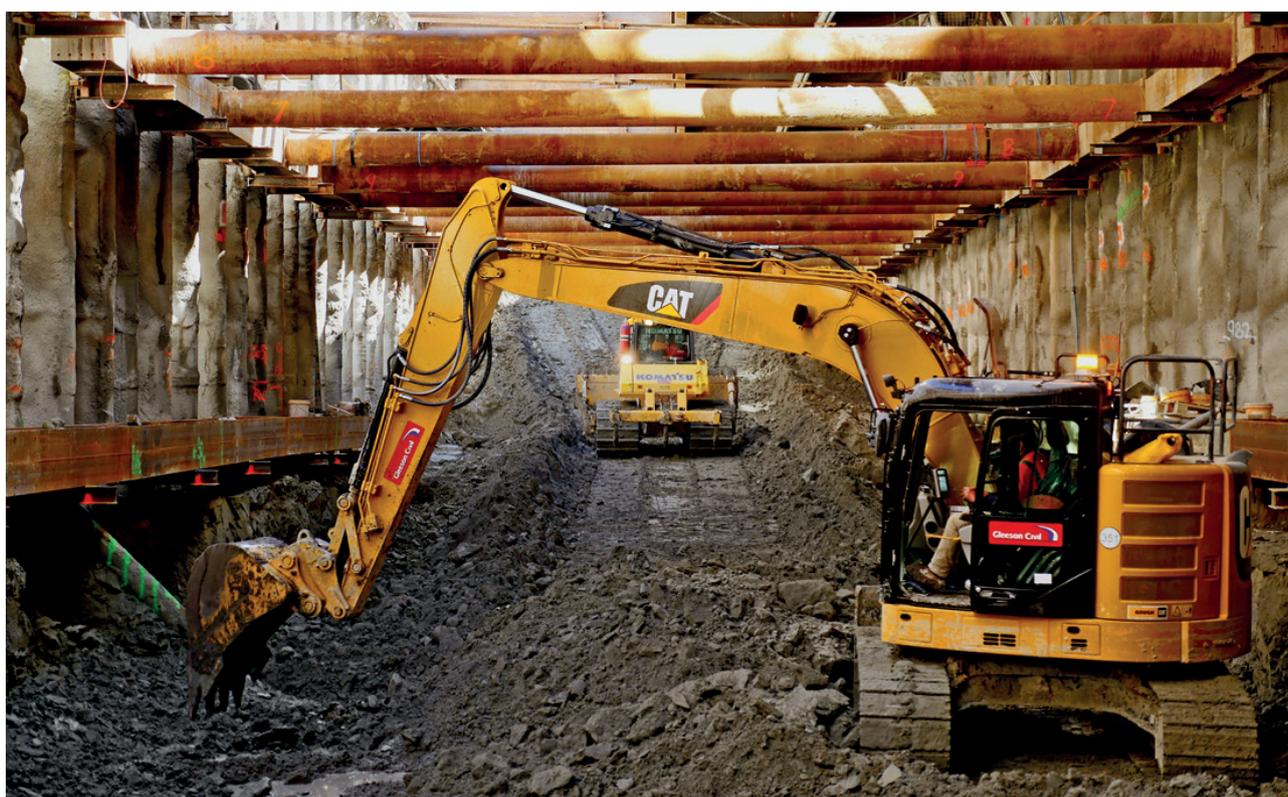
Hong Kong

No Green Bonds have been offered or sold or will be or may be offered or sold in Hong Kong, by means of any document other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the SFO) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “Prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMPO)**) or which do not constitute an offer to the public within the meaning of the C(WUMPO).

No advertisement, invitation or document relating to the Green Bonds may be issued or in the possession of any person or will be issued or be in the possession of any person in each case for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Green Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Japan

The Green Bonds have not been and will not be registered in Japan pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**) in reliance upon the exemption from the registration requirements since the offering constitutes the small number private placement as provided for in “ha” of Article 2, Paragraph 3, Item 2 of the FIEA.



A Japanese Person who transfers the Green Bonds shall not transfer or resell the Green Bonds except where the transferor transfers or resells all the Green Bonds en bloc to one transferee. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Singapore

This PDS has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this PDS and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Green Bonds may not be circulated or distributed, nor may the Green Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the **SFA**)) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Green Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a. a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- b. a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Green Bonds pursuant to an offer made under Section 275 of the SFA except:

1. to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
2. where no consideration is or will be given for the transfer;
3. where the transfer is by operation of law;
4. as specified in Section 276(7) of the SFA; or
5. as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the **Corporations Act**)) in relation to the Green Bonds has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission (**ASIC**) or any other regulatory authority in Australia. No person may:

- a. make or invite (directly or indirectly) an offer of the Green Bonds for issue, sale or purchase in, to or from Australia (including an offer or invitation which is received by a person in Australia); and
- b. distribute or publish, any PDS, terms sheet, information memorandum, prospectus or any other offering material or advertisement relating to the Green Bonds in Australia,

unless:

- i. the aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act;
- ii. the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act;
- iii. such action complies with all applicable laws, regulations and directives; and
- iv. such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

By applying for the Green Bonds under this PDS, each person to whom the Green Bonds are issued (an **Investor**):

- a. will be deemed by Auckland Council, the Arranger and Co-managers to have acknowledged that if any Investor on-sells the Green Bonds within 12 months from their issue, the Investor will be required to lodge a prospectus or other disclosure document (as defined in the Corporations Act) with ASIC unless either:
 - i. that sale is to an investor within one of the categories set out in sections 708(8) or 708(11) of the Corporations Act to whom it is lawful to offer the Green Bonds in Australia without a prospectus or other disclosure document lodged with ASIC; or
 - ii. the sale offer is received outside Australia; and
- b. will be deemed by Auckland Council, the Arranger and Co-managers to have undertaken not to sell those Green Bonds in any circumstances other than those described in paragraphs (a)(i) and (a)(ii) above for 12 months after the date of issue of such Green Bonds.

This PDS is not, and under no circumstances is to be construed as, an advertisement or public offering of any Green Bonds in Australia.

Switzerland

The Green Bonds shall not be publicly offered, sold, advertised, distributed or redistributed, directly or indirectly, in or from Switzerland, and neither this PDS nor any other solicitation for investments in the Green Bonds may be communicated, distributed or otherwise made available in Switzerland in any way that could constitute a public offering within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations (**CO**) or of Article 3 of the Swiss Federal Act on Collective Investment Schemes (**CISA**) unless the legal and regulatory conditions imposed on a public offering under the CO or CISA are satisfied. This PDS does not constitute a public offering within the meaning of Articles 652a, respectively 1156, of the CO and of Article 5 of the CISA and may not comply with the information standards required thereunder, and in particular with the guidelines on informing investors about structured products as published in September 2014 by the Swiss Bankers Association, as applicable.

The Green Bonds do not constitute collective investments within the meaning of the CISA. Accordingly, holders of the Green Bonds do not benefit from protection under the CISA or from the supervision of the Swiss Financial Market Supervisory Authority. Investors are exposed to the default risk of Auckland Council.

Indemnity

By its subscription for or purchase of the Green Bonds, each holder agrees to indemnify Auckland Council, the Arranger, the Co-managers, the Organising Participant, the Supervisor, the Security Trustee and the Registrar and each of their respective directors, officers and employees for any loss, cost, claim, fine, damages, liability or expense sustained or incurred by any of them by reason of any breach of the selling restrictions.



9. Who is involved?

| Description | Name | Role |
|----------------------------------|--|---|
| Issuer | Auckland Council | Issuer of the Green Bonds. |
| Supervisor | Trustees Executors Limited | Holds certain covenants on trust for the benefit of the Holders in accordance with the Trust Documents. |
| Security Trustee | Trustees Executors Limited | Holds the security under the Debenture on trust for the benefit of the Supervisor and other Stockholders. |
| Organising Participant | ANZ Bank New Zealand Limited | Responsible to the NZX in relation to the quotation of the Green Bonds. |
| Green Bond Coordinator | Australia and New Zealand Banking Group Limited | Provides assistance to Auckland Council with structuring the "green" aspects of the offer, including the GB Framework and facilitating the audit assurance of the Green Bonds |
| Arranger and Lead Manager | ANZ Bank New Zealand Limited | Provides assistance to Auckland Council for the offer. |
| Co-managers | Bank of New Zealand and Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch) | Assist with the marketing and distribution of the Green Bonds. |
| Registrar | Computershare Investor Services Limited | Maintains register of Holders. |

Role of the Arranger and Co-managers

This PDS does not constitute a recommendation by the Arranger, any Co-manager, or any of their respective directors, officers, employees, agents or advisers to invest in, any Green Bonds.

The role of the Arranger in relation to the offer of Green Bonds is solely to provide professional assistance to Auckland Council with arranging the offer, organising the bookbuild and assisting with quotation of the Green Bonds. The Co-managers will assist with the marketing and distribution of the Green Bonds but are otherwise not involved in the offer of Green Bonds.

Neither the Arranger nor the Co-managers nor their respective directors, employees, agents and advisers have been involved in preparing the PDS nor have they independently verified the content of the PDS.

You must make your own independent investigation and assessment of the financial condition and affairs of Auckland Council before deciding whether or not to invest in the Green Bonds.

10. How to complain

Complaints about the Green Bonds can be made to any one or more of the following:

Auckland Council

Treasurer and GM Financial Transactions

135 Albert Street

Auckland 1010

Attention: John Bishop

Phone: **+64 9 301 0101**

Trustees Executors Limited

Governance & Investor Oversight

Level 7, 51 Shortland Street

Auckland 1010

Phone: **0800 TRUSTEES (878 783)**

Auckland Council is a member of the Financial Dispute Resolution Service, which is an approved dispute resolution scheme. If Auckland Council has not been able to resolve your issue, you can refer the matter to the Financial Dispute Resolution Service. The scheme will not charge a fee to any complainant to investigate or resolve a complaint and can be contacted at Freepost 231075, PO Box 2272, Wellington 6140, by phone **0508 337 337** or by email enquiries@fdrs.org.nz.

11. Where you can find more information

Further information relating to Auckland Council and the Green Bonds (including a copy of the Trust Documents and the Debenture) is available free of charge on the online Disclose Register maintained by the Companies Office. The Disclose Register can be accessed at companiesoffice.govt.nz/disclose. You will need to search for the offer on the Disclose Register. You can do this by searching for the offer name "**Auckland Council Unsubordinated Fixed Rate Bonds**", or by searching for the issuer "**Auckland Council**".

A copy of the information on the Disclose Register is also available free of charge on request to the Registrar of Financial Service Providers. Please email registrar@fspr.govt.nz.

Further information about Auckland Council including its financial statements is available free of charge from Auckland Council's website at aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-annual-reports/Pages/default.aspx.

Additional information about Auckland Council is available free of charge from nzx.com/companies/AKC.

12. How to apply

All of the Green Bonds are reserved for clients of the Arranger, Co-managers, institutional investors and other approved participants and will be allocated to those persons by Auckland Council in consultation with the Arranger and Co-managers. There is no public pool for the Green Bonds. You should contact the Arranger, a Co-manager or your financial advisor for details of how to purchase the Green Bonds. Your financial advisor will be able to advise you as to what arrangements will need to be put in place for you to trade the Green Bonds including obtaining a common shareholder number (CSN), an authorisation code (FIN) and opening an account with a Primary Market Participant as well as the costs and timeframes for putting such arrangements in place.



13. Contact information

Issuer

Auckland Council

135 Albert Street

Auckland 1010

Attention: John Bishop

Phone: **+64 9 301 0101**

Registrar

Computershare Investor Services Limited

Private Bag 92119

Victoria Street West

Auckland 1142

Phone: **+64 9 488 8777**

Arranger and Lead Manager

ANZ Bank New Zealand Limited

Level 25, 23-29 Albert Street

Auckland 1010

Co-managers

Bank of New Zealand

Level 6, Deloitte Centre,

80 Queen Street

Auckland 1010

Westpac Banking Corporation

(ABN 33 007 457 141)

(acting through its New Zealand branch)

Westpac on Takutai Square

Level 8, 16 Takutai Square

Auckland 1010



14. Glossary

| Term | Meaning |
|---|--|
| Arranger | ANZ Bank New Zealand Limited, both as Arranger and Lead Manager. |
| Auckland Council Group | Auckland Council, together with its CCOs. |
| Business Day | A day (other than a Saturday or Sunday) on which banks (within the meaning of the Reserve Bank of New Zealand Act 1989) are open in Auckland and Wellington for the transaction of general banking business and in respect of a listed bond, a day which is also a 'Business Day' within the meaning given to that term in the NZX Listing Rules. |
| CCOs | Auckland Council's council-controlled organisations. |
| Charged Assets | The assets which are secured under the Debenture, including all rates revenue of Auckland Council and certain proceeds of such assets, being proceeds which constitute accounts receivable, negotiable instruments or cash. |
| Co-managers | Bank of New Zealand and Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch) |
| CBI | Climate Bond Initiative. |
| Climate Bond Standard | The climate bond standard certification scheme under the Climate Bonds Standard V2.1 (or as updated from time to time). |
| Crown | Her Majesty the Queen in right of New Zealand. |
| CSN | Common shareholder number. |
| Debenture | Debenture trust deed dated 2 December 2010, as amended and restated on 25 May 2016, between Auckland Council and the Security Trustee. |
| Debenture Extraordinary Resolution | A resolution passed either at a duly convened meeting (including an adjourned meeting) of Stockholders by a majority of at least 75% of the persons voting at the meeting, or in writing signed by at least 75% of the persons having the right to vote on that resolution and having in aggregate at least 75% in nominal amount of the secured indebtedness. |
| Disclose Register | The online offer register maintained by the Companies Office and the Registrar of Financial Service Providers known as "Disclose". |
| Eligible Assets | Existing and/or planned projects or assets that deliver positive environmental outcomes and which conform to the eligibility criteria set out in the GB Framework. |
| Eligible Sectors | The eligible sectors that the Eligible Assets will align with are set out in the GB Framework and updated from time to time. The eligible sectors as at the date of this PDS are set out in section 5.3 (Use of proceeds). |
| Enforcement Event | Any of the events listed in clause 13.1 of the Debenture and summarised in section 5 (Key features of the Green Bonds). |
| Events of Default | Any of the events described in clause 12.1 of the Master Trust Deed, and as summarised in section 5 (Key features of the Green Bonds). |
| Exemption Certificate | A certificate of exemption from resident withholding tax issued under section 32H of the Tax Administration Act 1994 or any predecessor or successor provision. |

| | |
|-----------------------------------|---|
| Extraordinary Resolution | A resolution passed either at a meeting of Holders by at least 75% of the persons entitled to vote or by written resolution signed by at least 75% of Holders holding in aggregate at least 75% in principal amount of bonds and entitled to vote on that resolution. |
| FMC Regulations | Financial Markets Conduct Regulations 2014. |
| GB Framework | Auckland Council's green bond framework as amended from time to time which sets out how Auckland Council proposes to allocate and manage the proceeds of the Green Bonds. |
| Green Bond Coordinator | Australia and New Zealand Banking Group Limited. |
| Green Bond Principles | International Capital Markets Association Green Bond Principles (June 2017). |
| Green Bonds | The Green Bonds constituted and issued pursuant to the Trust Documents and offered pursuant to this PDS. |
| Holder | A person whose name is recorded in the Register as a holder of a Green Bond. |
| Issue Price | NZ\$1.00 per Green Bond. |
| Lead Manager | ANZ Bank New Zealand Limited. |
| Master Trust Deed | Master trust deed dated 27 September 2012, as amended and restated on 26 February 2015, between Auckland Council and the Supervisor. |
| Moody's | Moody's Investor Services. |
| New Zealand Holder | Has the meaning given to that term in section 7 (Tax). |
| non-New Zealand Holder | A person who is not a New Zealand Holder. |
| NZX | NZX Limited. |
| NZX Debt Market | The debt security market operated by NZX. |
| NZX Listing Rules | The listing rules of NZX from time to time. |
| Organising Participant | ANZ Bank New Zealand Limited. |
| PDS | This product disclosure statement dated 12 June 2018. |
| Primary Market Participant | A market participant accredited and designated by NZX to bring new offers of securities to a market provided by NZX, including the participants listed in the NZX Participant Rules. |
| Principal Amount | NZ\$1.00 per Green Bond. |
| Registrar | Computershare Investor Services Limited. |
| RWT | Resident withholding tax. |
| Security Trustee | Trustees Executors Limited. |
| Stockholders | All persons who have the benefit of the security under the Debenture. |
| Supervisor | Trustees Executors Limited. |
| Supplemental Trust Deed | Supplemental trust deed (No. 2) dated 7 June 2018 between Auckland Council and the Supervisor. |
| S&P | Standard & Poor's. |
| Trust Documents | The Master Trust Deed and the Supplemental Trust Deed. |

