

4 April 2019

Auckland Council Green Bond Framework

Section 1: Overview

1. Purpose

This paper sets out how Auckland Council proposes to issue and manage its Green Bonds on an ongoing basis (the Framework). Green Bonds are defined in this Framework as bonds issued to finance projects or assets that deliver positive environmental outcomes or refinance corporate debt that supports these projects or assets. This includes assets categorised under the Green Bond Principles (“GBP”) as well as certain criteria for these assets, as set out by the Climate Bonds Initiative (“CBI”), where available. Eligibility criteria are set out in the Use of Proceeds section.

Auckland Council has developed the Framework in line with the International Capital Market Association (“ICMA”) Green Bond Principles 2017, and as such, adopts the four core pillars as follows:

1. Use of Proceeds;
2. Process for Evaluation and Selection;
3. Management of Proceeds; and
4. Reporting.

The GBP are voluntary process guidelines that are accepted as one of the main guidelines for issuance of Green Bonds in the capital markets globally.

2. Introduction to Auckland Council

Auckland Council’s role is to deliver the services and infrastructure required for Auckland to grow into a more prosperous region, one that gives a voice to our communities and is a great place to live, visit and invest. Auckland Council represents approximately 1.6 million people stretching from Wellsford in the north to Franklin in the south. In addition to providing essential infrastructure, council is responsible for collecting rubbish, maintaining and developing parks and reserves, running public libraries, swimming pools and recreation centres, and providing services such as building and resource consents, dog registrations and liquor licensing.

The activities of the Auckland Council are framed by the Auckland Plan (www.aucklandplan.govt.nz), our long-term spatial plan to ensure Auckland grows in a way that will meet the opportunities and challenges of the future. The Auckland Plan sets the strategic direction for Auckland and its communities that integrates social, economic, environmental, and cultural objectives. The Auckland Plan looks ahead to 2050 and considers how we will address our key challenges of high population growth, shared prosperity and environmental degradation. The objective of Green Bond issuance by Auckland Council is to raise capital for specific projects that support the achievement of the Auckland Plan.

3. External review

To ensure robust assessment of the Framework and the underlying Eligible Assets in any Green Bond issuance, Auckland Council may seek to employ one or more external review options. The first such option is to seek assurance from an independent Assurer. Auckland Council may also choose to combine this assurance with certification from the Climate Bonds Initiative (“CBI”). The CBI is a not-for-profit organisation that aims to promote large scale investments that help deliver a low carbon economy. The Climate Bonds Standard version 2.1 (“CBS”) provide a sound framework and scientific criteria to ensure that Green Bond proceeds are used in ways that are consistent with delivering low carbon outcomes. Where sector criteria are available, Auckland Council may choose to seek certification from the CBI for an individual issuance. Please refer to the CBI Disclaimer at Appendix 1 which applies to any Green Bond issuance that has sought and received certification from the CBI.

Auckland Council is committed to seeking assurance from an independent Assurer for all Green Bonds issued under this Framework, in which the Assurer will confirm:

- the Framework is aligned to the GBP and the CBS. Once off, prior to first issuance;
- the allocation of proceeds to Eligible Assets has been done (or will be done in the case of pre-issuance assurance) in accordance with the Framework. Pre-issuance and to be completed for each new issuance; and
- for issuances that are intended to seek CBI certification, that relevant CBI Standards and associated Sector Criteria have been met by the underlying assets and for CBI certified green bonds already issued under this Framework, that annual verification requirements are met.

For any Green Bond issuance under this Framework, Auckland Council will also seek post-issuance assurance at least once post issuance. These Assurance Statements will be published per the reporting schedule below.

In addition, Auckland Council may seek other forms of independent review, such as second party opinions and evaluations from organisations such as rating agencies and sustainability advisors, or any other form of independent review that becomes accepted by the market. This independent review will be obtained on a per issuance basis at time of issue.

Section 2: Framework

4. Use of Proceeds

The proceeds of the Green Bonds issued under the Framework will be allocated to financing of planned projects and assets with positive environmental outcomes, such as the transition to a low carbon and climate resilient future, and which conform to the eligibility criteria set out below (Eligible Assets) or refinance of corporate debt that supports Eligible Assets.

4.1. Eligibility Criteria

The following table highlights the eligible sectors and eligibility criteria considered within the Framework.

Eligible Assets may include projects delivered, or in the process of being delivered with budget allocated to them. Where projects are jointly funded between Auckland Council and another party e.g. Central Government, funding will be applied only to the council's share of the project.

Auckland Council may choose to seek CBI Certification for an issuance. In these instances, Eligible Assets must also meet the eligibility criteria set out within the relevant CBS and Sector Criteria as available on the CBI website. The below criteria represent a point in time summary of the CBI Sector Criteria that are currently available, however, as new CBI Sector Criteria are developed, Auckland Council will seek to adopt these criteria for its CBI Certified Green Bonds. For a CBI Certified Green Bond where there is discrepancy between the Framework and the CBI, the CBI website supersedes any criteria set out in this Framework.

Eligible Sectors	Eligibility Criteria
Renewable Energy	Generation of energy from renewable sources such as wind, solar, geothermal and hydropower. Technology/componentry manufacturing that contributes to renewable energy generation that meets the above criteria (e.g. wind turbines and solar panels).
Energy Efficiency	Business, assets or projects that develop processes and products/technology that reduce energy consumption of the underlying asset, for example technologies in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products.
Efficient Buildings	Low carbon and efficient buildings (new-build and renovations), that at least meet recognised environmental standards such as NABERSNZ excellent or equivalent (applicable for either As-Built or Design ratings). For precincts, the rateable Net Lettable Area (NLA) meets these same recognised standards for at least 90% of the total NLA.
Waste Management	Waste management projects / technologies that promote minimisation, collection, recycling or processing/capture of emissions
Sustainable Land use	Environmentally sustainable management of living natural resources and land use that has achieved a relevant recognised sustainability certification, for example Forest Stewardship Council, (including environmentally sustainable animal husbandry; climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally-sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes).
Low Carbon Transportation	Low carbon transport assets, systems and infrastructure (including retrofits) such as tramways, electric trains, metro, public walking and cycling infrastructure, cycling schemes, electric vehicles and hydrogen cars, information and communications technologies that improves assets utilisation. For bus, bus rapid transport, commuter rail

Eligible Sectors	Eligibility Criteria
	and hybrid cars, a greenhouse gas emissions threshold of 75 gCO ₂ per passenger per km will apply.
Climate Change Adaptation	Climate change resilience and adaptation infrastructure and technologies including natural ecosystem preservation
Sustainable Water Management	Water and wastewater management including collection, treatment, re-cycling infrastructure and technologies

5. Process for Evaluation and Selection

Auckland Council through its Green Bond Working Group (GBWG) established in April 2018, will hold ultimate responsibility and accountability for the Framework including all compliance, throughout the life of all Green Bonds issued. The GBWG will consist of senior representatives from Auckland Council's Treasury, Chief Sustainability Office and Financial Control.

For new and existing issuances, Auckland Council through its GBWG will manage the Eligible Assets selection process and will take into account the following objectives, features and benefits:

- Conformance with the GBP;
- Conformance with the Eligible Criteria set out above;
- Assess current source of finance (budgeted and/or allocated) to determine ease and cost implications of possible re-financing;
- Assessing whether they are in compliance with the Auckland Plan objectives;
- Applying Auckland Council's own professional judgement, discretion and sustainability knowledge; and
- Where Auckland Council chooses, conformance with any other principles, standards or tools (such as the CBI Standards) that are or become commonplace and respected in the market

The resultant list of Eligible Assets and their budgets will be provided in the Use of Proceeds Report associated with any Green Bond issuance.

6. Management of Proceeds

In order to manage the risk of holding unallocated proceeds from the Green Bond issuance, the combined value of the Green Bond issued will be less than the total value of the Eligible Assets and any balance of funding for these projects will be met through existing funding sources.

6.1. Tracking of proceeds

Auckland Council tracks the receipt and Use of Proceeds via its internal reporting systems, ensuring Eligible Assets (re)financed by Green Bonds are appropriately identified. In addition, to ensure appropriate earmarking for the purpose of internal monitoring and external reporting of proceeds, Auckland Council has established a register that contains all Eligible Assets (re)financed by or able to be (re)financed by Green Bonds on issue and their value.

Proceeds derived from Green Bonds and the proceeds generated from Climate Bonds Certified Bonds will be allocated, tracked and reported separately.

6.2. Managing Unallocated Proceeds

To the extent that Green Bond proceeds have not been allocated to Eligible Assets at issuance, or if during the life of the bond proceeds become unallocated (“Unallocated Proceeds”) (for example, because an Eligible Asset has been sold), the amount of unallocated proceeds shall be:

- 6.2.1. Held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function; or
- 6.2.2. Held in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or
- 6.2.3. Applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Eligible Assets.

Auckland Council will ensure funds are disbursed to Eligible Assets within 24 months of the issuance of the bond.

7. Reporting / Transparency

Auckland Council will publish investor information annually on the Eligible Assets as follows:

- A current list of Eligible Assets, along with their value (the Use of Proceeds Report); and
- A summary of the environmental outcomes that have been delivered by the Eligible Assets (the Impact Report).

The investor information will be made publically available as follows.

Disclosure Item	Timing	Location
Framework	At the time of first issuance under this Framework	https://www.aucklandcouncil.govt.nz/about-auckland-council/business-in-auckland/Pages/investor-centre.aspx
Assurance Statements	At initial issuance and when subsequent assurance occurs, to the extent allowed by the assurer	https://www.aucklandcouncil.govt.nz/about-auckland-council/business-in-auckland/Pages/investor-centre.aspx
CBI Certification	Once off at issuance, for any CBI certified Green Bond	https://www.aucklandcouncil.govt.nz/about-auckland-council/business-in-auckland/Pages/investor-centre.aspx
Use of Proceeds Report	Annually, in line with Auckland Council’s reporting timeline	https://www.aucklandcouncil.govt.nz/about-auckland-council/business-in-auckland/Pages/investor-centre.aspx
Impact Report	At least once post-issuance, depending on the nature of the asset and predicted impacts.	https://www.aucklandcouncil.govt.nz/about-auckland-council/business-in-auckland/Pages/investor-centre.aspx

Appendix 1: Climate Bonds Initiative (CBI) Disclaimer:

This appendix applies to any Green Bond issuance that has sought and received certification from the CBI.

The certification of the Green Bonds as Climate Bonds by the Climate Bonds Initiative is based solely on the Climate Bond Standard and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Green Bonds or any Eligible Asset, including but not limited to the Offering Documents the transaction documents, the Issuer or the management of the Issuer.

The certification of the Green Bonds as Climate Bonds by the Climate Bonds Initiative was addressed solely to the board of directors of the Issuer and is not a recommendation to any person to purchase, hold or sell the Green Bonds and such certification does not address the market price or suitability of the Green Bonds for a particular investor. The certification also does not address the merits of the decision by the Issuer or any third party to participate in any Eligible Asset and does not express and should not be deemed to be an expression of an opinion as to the Issuer or any aspect of any Eligible Asset (including but not limited to the financial viability of any Eligible Asset) other than with respect to conformance with the Climate Bond Standard.

In issuing or monitoring, as applicable, the certification, the Climate Bonds Initiative has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to the Climate Bonds Initiative. The Climate Bonds Initiative does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any Eligible Asset or the Issuer. In addition, the Climate Bonds Initiative does not assume any obligation to conduct (and it has not conducted) any physical inspection of any Eligible Asset. The certification may only be used with the Green Bonds and may not be used for any other purpose without the Climate Bonds Initiative's prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Green Bonds and/or the payment of principal at maturity or any other date.

The certification may be withdrawn at any time in the Climate Bonds Initiative's sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.