Second-Party Opinion

Auckland Council Sustainable Finance Framework

Second-Party Opinion
Reviewed by:
MORNINGSTAR | SUSTAINALYTICS

Evaluation Date	April 21, 2025[1]
Issuer Location	Auckland, New Zealand

Evaluation Summary

Use of Proceeds Instruments

Sustainalytics is of the opinion that the Auckland Council Sustainable Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2025 The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Green Buildings, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Clean Transportation, Climate Change Adaptation, Sustainable Water and Wastewater Management – are aligned with those recognized by the Green Bond Principles and the Green Loan Principles.

Sustainability-Linked Instruments

Sustainalytics is of the opinion that the Auckland Council Sustainable Finance Framework aligns with the Sustainability-Linked Bond Principles 2024 and Sustainability-Linked Loan Principles 2025.

The UoPs and SPTs contribute to the following SDGs:

Overview of KPIs and SPTs:

KPI	Strength of KPI	SPT	Ambitiousness of SPT
KPI 1: Diverse procurement	Strong	SPTs 1.1 to 1.3: Increase the annual proportion of influenceable procurement spend with identified or confirmed Māori- or Pasifika-owned businesses or social enterprises to 5.50% by FY2025, 5.75% by FY2026 and 6.00% by FY2027	Ambitious
KPI 2: Transition of bus fleet	Adequate	SPTs 2.1 to 2.3: Increase the total number of operational low-emission buses to 220 by FY2025, 250 by FY2026 and 290 by FY2027	Ambitious
KPI 3: Emissions reduction	Strong	SPT 3.1: i) Ensure that Auckland Council's GHG Emissions Reduction Plan and the SPTs for FY2026 and FY2027 are set; and ii) reduce Auckland Council's absolute scope 1 and 2 GHG emissions to 24,616 tCO_2e by FY2025	Highly Ambitious
		SPT 3.2: i) Ensure that Auckland Council's GHG Emissions Reduction Plan and the SPTs for FY2027 remain in place; and ii) reduce Auckland Council's absolute scope 1 and 2 GHG emissions to 23,826 tCO_2e by FY2026	
		SPT 3.3: i) Ensure that Auckland Council's GHG Emissions Reduction Plan remains in place; and ii) reduce Auckland Council's absolute scope 1 and 2 GHG emissions to 23,035 tCO_2e by FY2027	

[1] This document updates a Second-Party Opinion of October 2024. No changes were made to the use of proceeds categories. The changes in the Sustainability-linked Debt section of the Framework include the following: i) the FY2024 data for KPI 3 has been updated to incorporate the reported figures; ii) both historical and projected data for KPI 4 have been adjusted following verification and restatement and iii) the target observation date for SPT 4 has been changed to 31 December 2027 from 30 June 2027.

KPI 4: Native Ngahere (Forest) Restoration: Planting of Native Ngahere Stems in the Regional Park Network	Adequate	By 31 December 2027, Plant at least 1,000,000 Native Ngahere Stems in the Regional Park Network (from and including the baseline)	Ambitious

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Scope of Work and Limitations

Auckland Council has engaged Sustainalytics to review the Auckland Council Sustainable Finance Framework dated April 2025 (the "Framework") and provide an opinion on its alignment with the: Green Bond Principles 2021 (GBP), Green Loan Principles 2025 (GLP), Sustainability-Linked Bond Principles 2024 (SLBP) and Sustainability-Linked Loan Principles 2025 (SLLP).[2,3] Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent[4] opinion on the alignment of the Framework with current market standards. As part of this Second-Party Opinion, Sustainalytics assessed:

- The credibility and anticipated positive impacts of the use of proceeds and SPTs;
- The issuer's sustainability strategy, performance and sustainability risk management.

As part of this engagement, Sustainalytics held conversations with representatives of Auckland Council to understand the sustainability impact of its business processes and the reporting and verification aspects of the Framework. Auckland Council representatives have confirmed that:

(1) They understand it is the sole responsibility of Auckland Council to ensure that the information provided is complete, accurate and up to date;

(2) They have provided Sustainalytics with all relevant information;

(3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Auckland Council. Sustainalytics' Second-Party Opinion assesses alignment of the Framework with current market standards but does not provide any guarantee of alignment nor warrants alignment with any future versions of such standards. This Second-Party Opinion is valid for issuances aligned with the Framework until one of the following occurs: i) a material change to the external benchmarks against which targets were set; ii) a material corporate action (such as a material M&A or change in business activity) which has a bearing on the achievement of the SPTs or the materiality of the KPIs.

For use of proceeds instruments, Sustainalytics relied on its internal taxonomy, version 1.18 which is informed by market practice and Sustainalytics' expertise as an ESG research provider. This Second-Party Opinion:

- addresses the anticipated impacts of eligible projects but does not measure their actual impact. Reporting and measuring impact of projects financed under the Framework are responsibilities of the Framework owner.
- opines on the potential allocation of proceeds but does not guarantee their realized allocation towards eligible activities.

For sustainability-linked instruments, this Second-Party Opinion:

- addresses the anticipated SPTs but does not measure progress on the KPIs. Measuring and reporting on KPIs is the responsibility of the Framework owner.

No information Sustainalytics provided under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument in favour or against the truthfulness, reliability or completeness of any facts, statements and related circumstances that Auckland Council may have disclosed to Sustainalytics for the purpose of this Second-Party Opinion.

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[2] The bond-related principles, guidelines and handbooks are administered by the International Capital Market Association and are available at: https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/

[3] The loan-related principles and guidelines are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association, and are available at: https://www.lsta.org/content/?_industry_sector=guidelines-memos-primary-market

[4] When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. In addition, analyst compensation is not directly tied to specific commercial outcomes.

Introduction

Auckland Council is the unitary authority for Tāmaki Makaurau Auckland, responsible for all local government decisions and responsibilities, including to deliver services and infrastructure in the Auckland region.[5] Auckland Council owns or controls Port of Auckland Limited and the substantive council-controlled organizations (CCOs):[6] Auckland Transport, Watercare Services Limited (Watercare), Eke Panuku Development Auckland Limited[7], Tātaki Auckland Unlimited (formerly Auckland Unlimited), Tātaki Auckland Unlimited Trust (formerly Regional Facilities Auckland) and Auckland Future Fund (AFF)[8,9] Auckland Council was created in November 2010 through the Local Government (Auckland Council) Act 2009, and its powers and responsibilities are governed by the Local Government Act 2002.[10,11]

Auckland Council has developed the Auckland Council Sustainable Finance Framework, under which it issues green bonds and loans,[12] and sustainability-linked bonds, loans and derivatives.[13] Auckland Council engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework's alignment with the Green Bond Principles 2021, Green Loan Principles 2025, Sustainability-Linked Bond Principles 2024 and Sustainability-Linked Loan Principles 2025. The Framework has been published in a separate document.[14]

Under the use of proceeds instruments, Auckland Council uses the proceeds to finance or refinance projects that contribute to a low-carbon transition and biodiversity enhancements in Auckland. The Framework defines eligibility criteria in the following areas:

1. Renewable Energy
2. Energy Efficiency
3. Green Buildings
4. Pollution Prevention and Control
5. Environmentally Sustainable Management of Living Natural Resources and Land Use
6. Clean Transportation
7. Climate Change Adaptation
8. Sustainable Water and Wastewater Management

Under sustainability-linked instruments, Auckland Council ties their financial characteristics to achievement of the following sustainability performance targets and KPIs as set out in the Framework.

Auckland Council has defined the following KPIs and SPTs:

Table 1: KPI Definitions

KPI	Definition
KPI 1: Diverse procurement	KPI 1 measures the proportion of Auckland Council's influenceable procurement spend directed towards goods and services provided by Māori- or Pasifika-owned businesses or social enterprises. Procurement includes spending on both contract and non-contractual purchases where procurement decisions can impact buying behaviour. This encompasses all purchase order spending in Auckland Council's SAP ERP

[5] Auckland Council, "2.1 What is Auckland Council", at: https://governance.aucklandcouncil.govt.nz/2-overview/what-is-auckland-council
[6] CCOs are established for a variety of purposes, including to streamline the delivery of public services, such as ports, airports, holdings, water and wastewater services, infrastructure and public facilities.
Auckland Council, "11.1 What are Council Organisations (COs) and Council-controlled Organisations?", at: https://governance.aucklandcouncil.govt.nz/11-council-controlled-organisations/what-are-council-organisations-cos-and-council-controlled-organisations
[7] All the functions of Eke Panuku are to be transferred and integrated into Auckland Council no later than 1 July 2025. https://www.ekepanuku.co.nz/news/cco-reform-governing-body-decision/
[8] AFF comprises Auckland Future Fund Trustees Limited (incorporated on 24 September 2024) and Auckland Future Fund (a trust, formed on 27 September 2024). Auckland Council Group Interim Report for the period ended 31 December 2024, page 20.
[9] Auckland Council, "Council-controlled organisations (CCOs)", at: https://www.aucklandcouncil.govt.nz/about-auckland-council/how-auckland-council-works/council-controlled-organisations/Pages/default.aspx
[10] New Zealand Legislation, "Local Government (Auckland Council) Act 2009", at: http://www.legislation.govt.nz/act/public/2009/0032/latest/DLM2044909.html?src=qs
[11] New Zealand Legislation, "Local Government Act 2022", at: https://www.legislation.govt.nz/act/public/2002/0084/latest/whole.html
[12] The Council has confirmed to Sustainalytics that revolving credit facilities are excluded under the use of proceeds instrument.
[13] Sustainalytics notes that the considerations for derivatives may be different and outside of the scope of Sustainalytics' Second-Party Opinion.
[14] The Auckland Council Sustainable Finance Framework is available on the Council's website at: https://www.aucklandcouncil.govt.nz/about-auckland-council/investor-centre/information-for-investors/Pages/green-bonds.aspx

	system that can be reasonably influenced through procurement decisions but excludes non-influenceable spend, such as grants and intercompany transactions. Suppliers are categorized as Māori- or Pasifika-owned if they meet specific ownership criteria defined by Amotai[15] and include partnerships, corporations, trusts or sole proprietorships that are at least 50% owned by Māori or Pasifika individuals. Social enterprises are included if they align with the criteria set by the Ākina Foundation,[16] demonstrating a primary purpose to achieve positive social, cultural, economic and environmental outcomes.[17] KPI 1 distinguishes between identified and confirmed suppliers: identified suppliers either self-identify or are recognized by Auckland Council as meeting the ownership criteria; confirmed suppliers are validated through databases maintained by Ākina or Amotai. KPI 1 is calculated annually by dividing the total procurement of influenceable spend directed towards confirmed or identified Māori- or Pasifika-owned businesses or social enterprises by the total procurement of influenceable spend for that financial year. KPI 1 covers 100% of the procurement spend in Auckland Council's control.
KPI 2: Transition of bus fleet	KPI 2 refers to the total number of operational low-emission buses (LEBs) in Auckland Transport's bus fleet that are fully commissioned with Auckland Transport Hop equipment, added to the fleet list and ready for passenger service.[18] LEBs are defined as either zero- or low-emission vehicles with electric or green hydrogen technology with zero tailpipe emissions.
KPI 3: Emissions reduction	KPI 3 refers to absolute scope 1 and 2 GHG emissions from Auckland Council and the following CCOs: Auckland Transport, Tātaki Auckland Unlimited (formerly known as Auckland Unlimited), Auckland Unlimited Trust (formerly Regional Facilities Auckland) and Eke Panuku Development Auckland. KPI 3 excludes Watercare as follows: the Local Government (Water Services Preliminary Arrangements) Act 2024, introduced in September 2024, prohibits Auckland Council from providing financial support to Watercare. Port of Auckland Limited is excluded from KPI 3 because it is not a CCO and has set its own operational emission reduction targets. Auckland Council's scope 1 GHG emissions are primarily attributed to stationary and mobile fuel combustion, transport fuel, refrigerant and other gas uses, waste, agriculture and fertilizers. Auckland Council's scope 2 GHG emissions are attributed to purchased energy. Auckland Council calculates its scope 1 and 2 GHG emissions in accordance with the GHG Protocol Standard or the equivalent ISO 14064.[19]
KPI 4: Native Ngahere (Forest) Restoration: Planting of Native Ngahere Stems in the Regional Park Network	KPI 4 measures the total number of Native Ngahere Stems planted across the Regional Park Network under the Programme. Auckland Council then follows the Plot-Based Method developed by Tane's Tree Trust and Trees That Count to perform long term monitoring of the stems planted in order to achieve its long term goal of an increase in permanent canopy cover.[20].[21] Definitions: **Mitigation Planting** means the supply and/or planting of Native Ngahere Stems under the Programme as a result of a regulatory mitigation requirement by either Auckland Council or a third party. **Native Ngahere Stems** means trees and vegetation that are selected by Auckland Council for being indigenous (native to New Zealand), and eco-sourced (i.e. closely matching existing species in neighbouring native forests) and recorded as such in Ruru.

[15] Amotai, "Māori and Pasifika-owned Supplier Businesses", at: https://amotai.nz/businesses
[16] Auckland Council has communication to Sustainalytics that Akina Foundation will cease trading on 30 April 2025.
[17] Ākina, "The Impact Directory", at: https://directory.akina.org.nz/
[18] Auckland Transport Hop is an electronic fare payment system used for public transport in Auckland, New Zealand.
[19] Greenhouse Gas Protocol, "A Corporate Accounting and reporting Standard", at: https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf
[20] Trees That Count, "How to monitor your planted native trees", at: https://treesthatcount.co.nz/media/18163/ttc_advanced_monitoring_guide.pdf
[21] Mana whenua means Indigenous people (Māori) who have historic and territorial rights over the land and refers to iwi and hapū (Māori tribal groups) who have these rights in Tāmaki Makaurau Auckland.
Auckland Council, "Engaging with mana whenua", at: https://www.aucklandcouncil.govt.nz/building-and-consents/resource-consents/prepare-resource-consent-application/Pages/engaging-with-mana-whenua.aspx

	Plant, Planted or Planting means the placement of Native Ngahere Stems (whether funded by Auckland Council or otherwise but excluding Mitigation Planting) into the ground in sites in the Regional Park Network that are identified under the Programme, and the management of those planted sites, so they are well-placed to achieve permanent canopy cover (as recorded in Ruru and monitored using the 'plot-based method'). **Programme** means the 200 hectare urban Ngahere programme set out in Auckland Council's 2021 10-year budget (and which forms part of a wider Auckland Council urban Ngahere strategy) to (a) identify sites in the Regional Park Network (including in mana whenua hapu / iwi rohe) of unproductive farmland that is currently grazed or recently retired, or woodlots, (b) prepare those sites for planting, (c) plant 200 hectares of Native Ngahere Stems into those sites (equivalent to planting approximately 2 million stems), and (d) monitor stem survival and take actions necessary to achieve permanent canopy cover. **Regional Park Network** means land owned by Auckland Council that covers 28 regional parks, 4000 community parks, and 34,000 hectares of conservation estate managed by the Department of Conservation, or lands managed by mana whenua. **Ruru** means Auckland Council's Conservation Information System which is a database that records information relating to Native Ngahere Stems that have been planted under the Programme and is used to monitor and manage the survival rate of those stems.

Table 2: SPTs and Past Performance[22]

KPI	FY2021 (baseline)	FY2022	FY2023	FY2024	SPT FY2025	SPT FY2026	SPT FY2027
KPI 1: Diverse procurement	2.69%	3.45%	4.00%	4.58%	5.50%	5.75%	6.00%

KPI	FY2019	FY2021	FY2022	FY2023	FY2024	SPT FY2025	SPT FY2026	SPT FY2027
KPI 2: Transition of bus fleet (operational LEBs in total)	N/A	33 (baseline)	37	90	180	220	250	290
KPI 3: Emissions reduction (tCO_2e)	41,327 (baseline)	38,451	28,398	26,197	24,603	24,616	23,826	23,035

KPI[23]	2022	2023	2024	2025	2026	SPT 2027
KPI 4: Native Ngahere (Forest) Restoration: Planting of Native Ngahere Stems in the Regional Park Network	87,000 (verified baseline)	218,924 (+131,924)[24] (verified)	377,363 (+158,439) (verified)	546,939 (+169,576) (projected)	800,828 (+253,889) (projected)	1,013,713 (+212,885) (projected)

[22] SPTs 1, 2, and 3 are assessed based on fiscal years (July 1st to June 30th), while SPT 4 is assessed based on the calendar year (January 1st to December 31st).
[23] For a Sustainability-Linked Bond, the SPT will be measured once on 31 December 2027. For a Sustainability-Linked Loan or Sustainability-Linked Derivative, the projected annual performance trajectory outlined in Table 2 above, (or at least a straight-line trajectory starting from 2024), will be included in the relevant sustainable finance documents to establish annual SPTs.
[24] This figure represents the year-on-year change.

Sustainalytics' Opinion

Section 1: Alignment of the Framework with Relevant Market Standards

Alignment with Use of Proceeds Principles

Sustainalytics is of the opinion that the Auckland Council Sustainable Finance Framework is credible, impactful and aligns with the Green Bond Principles 2021 and Green Loan Principles 2025.

Use of Proceeds

Overall Assessment of Use of Proceeds

Use of Proceeds	Activity	Eligibility Criteria and Sustainalytics' Assessment
Renewable Energy	Wind	- Onshore and offshore wind energy projects and supporting infrastructure
	Solar	- Solar photovoltaic and concentrated solar power facilities and supporting infrastructure where at least 85% of the electricity is generated from solar energy sources
	Geothermal	- Geothermal energy projects and supporting infrastructure. Auckland Council has confirmed to Sustainalytics that these projects will have direct emissions lower than 100 gCO_2e/kWh.
	Hydropower	- Hydropower projects and supporting infrastructure, where a credible body will conduct an environmental impact assessment to ensure that no significant environmental and social risks, negative impacts or controversies have been identified. - Auckland Council has confirmed to Sustainalytics that such hydropower facilities will be limited to the following: o for facilities that became operational after the end of 2019, the life cycle GHG emissions intensity is below 50 gCO_2e/kWh or the power density is greater than 10 W/m^2; o for facilities that became operational before the end of 2019, the life cycle GHG emissions intensity is below 100 gCO_2e/kWh or the power density is greater than 5 W/m^2.
	Bioenergy	- Bioenergy facilities with life cycle emissions lower than 100 gCO_2e/kWh, declining to 0 gCO_2e/kWh by 2050, where only second-generation feedstock will be used. - Auckland Council confirmed to Sustainalytics that the feedstock will: o be limited to forestry and agricultural residues, fish residues from aquaculture that are certified by credible organizations such as the Marine Stewardship Council (MSC),[25] Aquaculture Stewardship Council (ASC),[26] Best Aquaculture Practices (BAP) Farm Standard (2 stars or above),[27] fishing and processing of fish, wastewater and sewage sludge (excluding those derived from fossil fuel operations) and palm kernel shells or palm oil mill effluent from Roundtable on Sustainable Biomaterials (RSB)[28] or

[25] MSC: https://www.msc.org/
[26] ASC: https://asc-aqua.org/
[27] BAP: https://www.bapcertification.org/
[28] RSB, at: https://rsb.org/certification/

		Roundtable on Sustainable Palm Oil (RSPO)[29] certified palm oil operations; o exclude the use of animal manure from industrial-scale livestock operations, animal fats, oil and other animal processes by-products.
	Technologies or components for renewable energy	- Financing or refinancing the development and production of technologies, equipment or components for renewable energy generation that meets one of the criteria listed above. - Auckland Council confirmed to Sustainalytics that such facilities will be wholly dedicated to components for renewable energy generation.
		Sustainalytics considers the investments under this category to be aligned with market practice.
Energy Efficiency	Energy storage	- Energy storage systems that are connected to renewables or to a grid with 90% renewables integration, including battery storage and thermal storage.
	District heating	- Financing of district heating generation and distribution network - Auckland Council has confirmed to Sustainalytics that: o district heating generation or utilities will be electric powered; o distribution networks will be primarily powered using renewables or waste heat (at least 50%); o projects using waste heat from fossil fuel production or operations will be excluded.
	Other energy-efficient technologies, appliances and products	- Technologies, appliances or products for use in new and refurbished buildings, including building energy management systems, sensor controls, electric boilers and LED lighting.
		- The energy-efficient technologies, appliances and products financed or refinanced under this category will result in reduced energy consumption and achieve a minimum 30% reduction in GHG emissions of the underlying assets. - Auckland Council may also provide general-purpose financing for pure play companies that derive at least 90% of their revenue from activities that comply with the eligibility criteria in this category. Sustainalytics considers that project- and activity-based spending results in more direct environmental and social benefits and improves compliance with eligibility criteria. However, the financing of pure play companies through sustainable financial instruments is a commonly accepted approach that is likely to generate positive impacts. - Auckland Council has confirmed the exclusion of financing the following: o household consumer products o energy-efficient technologies designed or intended for inherently carbon-intensive processes, primarily driven or powered by fossil fuels, such as oil or gas-fired boilers, cogeneration and CHP units; o production processes in heavy industries, such as steel, cement or aluminium. - Sustainalytics considers investments under this category to be aligned with market practice.
Green Buildings	Construction and acquisition of buildings	- Investments related to the construction of new buildings and acquisition of existing buildings (libraries, head office and community facilities) that have achieved or are expected to achieve one of the following: o a minimum of 5 Star under the Green Star Performance Rating of New Zealand Green Building Certification (NZGBC);[30]

[29] RSPO, at: https://rspo.org/why-sustainable-palm-oil/legislation/
[30] Green Star: https://nzgbc.org.nz/introduction-to-green-star

		○ a minimum of 4 Star NABERSNZ Energy Base Building rating or Energy Whole Building;[31] ○ other green building certifications with equivalent performance.
	Building renovations and retrofits	- Investments related to renovations and retrofits of existing buildings (libraries, head office and community facilities) that will lead to achieving one of the following: ○ a minimum of 4 Star under Green Star Performance Rating of NZGBC; ○ a minimum of 4 Star under NABERSNZ Energy Base Building rating or Energy Whole Building; ○ other green building certifications with equivalent performance.
		- To identify eligible green building certifications and its minimum certification levels, the Council intends to align with NZGBC "Guidance on green building ratings for sustainable finance".[32] - For precincts, Auckland Council has committed to ensure that the rateable net lettable area (NLA) meets the requirements of the certifications listed above for at least 90% of the total NLA. - Sustainalytics views the certifications listed above and the levels selected to be credible but notes that it is market expectation to specify all eligible schemes and certifications in the Framework and encourages the Council to report on any specific schemes and certifications it intends to use.
Pollution Prevention and Control	Air pollution, GHG emissions and soil remediation	- Investments related to mitigation or reduction of air pollution, GHG emissions and soil remediation. - Auckland Council has confirmed the exclusion of financing the following: ○ air pollution prevention from fossil fuel production; ○ prevention of air pollution that results directly from technologies that are inherently reliant on fossil fuels as an energy source; and ○ pollution prevention or soil remediation that is related to any contamination or negative environmental externality from the Council's own activities. - Sustainalytics considers investments under this category to be aligned with market practice.
	Waste management	- Investments related to waste management projects, technologies, assets and supporting infrastructure that promote or enable waste prevention, minimization, collection, recycling, composting or capture or processing of GHG emissions. This may also include assets related to preparation and storage of materials for recycling or reuse. - Under capture or processing of GHG emissions, Auckland Council has confirmed that it may finance the capture of landfill gas for energy generation from closed or decommissioned landfills with high gas capture efficiency of 75% or more (excluding landfill gas capture for flaring) in the future. Sustainalytics notes that recovering methane produced from a closed landfill will not prolong the lifespan of the landfill and is a key strategy to reduce methane emissions from waste. - Auckland Council has confirmed that: ○ waste management facilities will support source segregation of recyclables including plastics and metals; ○ e-waste recycling will be accompanied by robust waste management processes; and

[31] NABERSNZ: https://www.gpg.govt.nz/energy-efficiency-standards/nabersnz-assessments-and-ratings/

[32]. The NZGBC Guidance (version 1.0 dated August 2024) sets requirements on the certifications and minimum required levels of certification for assets to be classified as green buildings for the purpose of sustainable finance, applicable for issuances from 01 November 2024. Auckland Council has confirmed to Sustainalytics that the Council commits to updating the eligibility criteria periodically to align with the requirements of NZGBC's "Guidance on green building ratings for sustainable finance".

		○ plastics will be sorted and recycled using mechanical recycling. ○ Any waste collection vehicles financed will adhere to the emissions threshold provided under Clean Transportation category. - Sustainalytics considers investments under this category to be aligned with market practice.
Environmentally Sustainable Management of Living Natural Resources and Land use	Afforestation and reforestation	- For investments related to afforestation and reforestation, Auckland Council has confirmed that such projects will be certified under the Forest Stewardship Council (FSC)[33] or Programme for the Endorsement of Forest Certification (PEFC)[34] and only tree species that are well adapted to site conditions will be used.
	Preservation, rehabilitation, and restoration of natural landscapes	- Investments towards pest management, wetland restoration, marine and island habitat restoration as well as enhancement and restoration of existing ecological systems on the Council-owned regional parks. - Auckland Council has confirmed the exclusion of the following: i) use of agrochemicals (herbicides or insecticides) to control or eradicate invasive plants or insects; and ii) hunting, trapping, poisoning or culling of vertebrate animals considered as pests.
		- Sustainalytics considers the investments under this category to be aligned with market practice
Clean Transportation	Low-carbon transport assets, systems, and infrastructure	- Investments related to the purchase, development, operation and maintenance of low-carbon passenger transportation assets. This includes: i) buses, bus rapid transport, electric trams and trains; ii) hybrid, electric and hydrogen cars; and iii) public walking and cycling infrastructure and cycling schemes. ○ Financing will be limited to zero direct emissions vehicles or vehicles meeting an emissions threshold at or below 50 gCO_2 per passenger-km as measured using a tank-to-wheel methodology based on actual operational data. ○ Auckland Council has communicated that financing may also be extended to supporting infrastructure such as bus depots or interchanges, including information and communication technologies that improve asset utilization of the vehicles meeting the emissions intensity threshold. - Auckland Council has confirmed the exclusion of financing to the following: ○ New construction and existing road infrastructure retrofits (roads, road bridges, parking facilities) ○ Parking facilities (inclusive of charging and alternative fuel infrastructure) ○ Fossil fuel filling stations and other assets which prolong the life or facilitate the use of fossil-fuel powered transport - Sustainalytics considers the investments under this category to be aligned with market practice.
Climate Change Adaptation	Infrastructure and technologies that increase resilience to and protect against the impacts of climate change	- Investments related to flood defence and resilience projects, such as enhanced flood intelligence and resilience, slip stabilization, landslide mitigation, river management, drainage pump repairs and upgrades. - Investments related to wetlands and coastal ecosystems restoration projects. - Auckland Council has confirmed to Sustainalytics that: ○ Vulnerability assessment plans will be carried out at the chosen sites to understand climate risks and impacts, and adaptation plans will be subsequently

[33] FSC: https://ca.fsc.org/ca-en/what-is-fsc/fsc-certified-forests
[34] PEFC: https://www.pefc.org/standards-implementation

		incorporated for investments under this category, where required; o Financing will exclude renovations and retrofits that are business-as-usual by nature. - Sustainalytics considers these activities to be aligned with market practice.
	Voluntary property buyout	- Investments related to the buyout of properties from people living in homes designated as Category 3 properties,[35] where the expenditures will be limited to the cost of purchasing the Category 3 residential homes, such that the asset value would be based on the latest rateables valuation of the home, adjusted for market movement to January 2023 (the time of the NIWE).[36] Sustainalytics notes that these expenditures primarily result in social benefits even though they are rooted in climate-related issues, and hence, they would be better suited under a social or sustainability financing rather than a green financing. - Purchased land will be repurposed as stormwater management, as part of a blue-green network,[37] neighbouring parkland or to improve storm resilience for neighbouring properties. Auckland Council has confirmed to Sustainalytics that Vulnerability assessment plans will be carried out at the chosen sites to understand climate risks and impacts, and adaptation plans will be subsequently incorporated for investments under this category, where required. Sustainalytics considers such investments to be aligned with market practice.
Sustainable Water and Wastewater Management	Water (including stormwater) and wastewater management systems	- Nature-based solutions and engineered projects related to the collection, storage, treatment, distribution and recycling technologies and related infrastructure for water (including stormwater) and wastewater management. - Auckland Council has confirmed the following: o Relevant vulnerability assessments and adaptation plans will be developed and implemented, where necessary. o Financing will exclude: i) flood or drought management projects which are business-as-usual by nature, including routine maintenance, upgrades and repairs that are necessary to comply with regulatory requirements; ii) wastewater treatment from fossil fuel operations (such as water produced from fracking); iii) systems and treatment facilities dedicated to controversial activities having a harmful social or environmental impact - Sustainalytics considers these activities to be aligned with market practice.

Additional Considerations on Use of Proceeds

- Eligible assets may include projects and assets that:
  - Auckland Council Group owns outright (including assets that are owned but not managed by the Council); and

[35] Category 3 means properties that meet the threshold for intolerable risk to life from flooding and/or landslides for people in residential properties on the property. Category 3 is the highest risk in the Government's classification. Auckland Council, "Property Risk categories", at: https://www.aucklandcouncil.govt.nz/recovery-extreme-weather-disasters/property-categorisation-resolution/Pages/property-risk-categories.aspx

[36] Rateable Valuation is the value of the property set by the local authority or council every three years for the purpose of determining and allocating payable property rates, which is an estimate of the property's market value as determined by the local council.

[37] Auckland Council, "Blue-green networks", at : https://www.aucklandcouncil.govt.nz/environment/looking-after-aucklands-water/managing-growth-our-stormwater-network/Pages/blue-green-networks.aspx

  - The Group owns or funds in part (where eligible assets are jointly funded between the Council and another party (e.g. Central Government), funding will be applied only to the council's share of the eligible asset.); or
  - has been retrofitted to meet the eligibility criteria.
- Auckland Council may adhere to the sector-specific criteria of the Climate Bonds Standard for assets or projects that fall under the relevant sector criteria.[38]
- Auckland Council has communicated to Sustainalytics that refinancing under the Framework will be limited to capital expenditures and, therefore, the Council has not established a look-back period for refinancing. This is aligned with market practice.

Project Evaluation and Selection

- The Council's Treasury Management Steering Group (TMSG) supported by the Treasury and Chief Sustainability Office, is responsible for identifying, evaluating and nominating potential green projects. An asset eligibility questionnaire is used to assess whether the potential asset or project complies with the eligibility criteria and to ensure that the environmental, social, cultural and climate-related risks associated with the projects have been considered. The Chief Sustainability Office and the Treasury are responsible for carrying out the final assessment.
- Sustainalytics considers these environmental and social risk management systems to be adequate. For additional detail see Section 2.
- Based on the established process for project selection and the presence of risk management systems, Sustainalytics considers this process to be in line with market practice

Management of Proceeds

- The Council's treasury team will track, monitor and manage proceeds using its internal reporting systems. This process will be overseen by the Council's Treasury Management Steering Group.
- Pending full allocation, unallocated proceeds will be temporarily held in cash, cash equivalents within a treasury function or held in temporary investments and will be fully allocated within 24 months of issuance. The Council has confirmed that unallocated proceeds will not be invested in carbon-intensive projects.
- The Framework may include multi-tranche financing instruments. The Council has confirmed to Sustainalytics that it will only label the tranches of such facilities whose proceeds will be allocated to eligible projects and assets under the Framework.
- Based on the management of proceeds process and disclosure of the temporary use of proceeds, Sustainalytics considers the process to be in line with the market practice.

Reporting

- The Council commits to report on the allocation and impact of proceeds annually until full allocation and in the event of material changes thereafter, on its website or as part of the Council's Green Bond Annual Report.
- Allocation reporting will include information relative to the list of approved eligible green projects and a brief description of the projects, the allocated amount, as well as the remaining balance of unallocated proceeds, if

[38] Climate Bonds Initiative, "Sector Criteria", at: https://www.climatebonds.net/standard/sector-criteria

any. Auckland Council also intends to obtain external verification of the allocation report at least once during the tenor of bond and loan.

- Impact reporting may include performance indicators such as annual GHG emissions avoided (in tCO_2e), annual energy savings, annual amount of wastewater passed, treated, reused or avoided, number of people benefitting from measures to mitigate the consequences of floods and droughts, waste diverted from landfill and number of LED lighting fixtures.
- Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability-Linked Principles

Sustainalytics is of the opinion that the Auckland Council Sustainable Finance Framework aligns with the Sustainability-Linked Bond Principles 2024 and Sustainability-Linked Loan Principles 2025.

Selection of Key Performance Indicators

Relevance and Materiality of KPIs

In its assessment of materiality and relevance, Sustainalytics considers: i) whether an indicator speaks to a material impact of the issuer's business on environmental or social issues; and ii) to what extent the KPI is applicable.

KPI 1: Diverse procurement

Sustainalytics' Country Risk Rating identifies Human Capital as a material issue for sovereigns and sub-sovereigns.[39] Additionally, Auckland Plan 2050 considers advancing the Māori and Pasifika cultures' prosperity as a focus area.[40] Regarding applicability, KPI 1 has a high scope of applicability given that it targets 100% of the procurement spend within Auckland Council's control, which includes Eke Panuku Development Auckland and portions of Tātaki Auckland Unlimited (TAU) Limited and TAU Trust. Portions of spend by TAU Trust and TAU Limited, and all spend by Auckland Transport and Watercare are not part of Auckland Council's procurement system (SAP Ariba); they are excluded due to the lack of reporting visibility and, hence, not considered under influenceable procurement spend. Therefore, Sustainalytics considers KPI 1 to be relevant, material and highly applicable.

KPI 2: Transition of bus fleet and KPI 3: Emissions reduction

Sustainalytics assessed KPIs 2 and 3 jointly because they collectively address the issue of GHG emissions for Auckland. Sustainalytics considers that KPIs 2 and 3 are material, relevant and have a high scope of applicability, given that:

- Sustainalytics' Country Risk Rating identifies GHG emissions intensity under Natural and Produced Capital as a material topic for sovereigns and sub-sovereigns.[41] ICMA's sector materiality matrix identifies Climate Change (GHG Emissions and Energy) as a material theme for all sectors.[42] Under their operational boundary, Councils and CCOs may cover various activities depending on their geography and governance structure, including activities related to agriculture, energy, transport, waste, water, health and public facilities. Specifically, GHG emissions from the transport sector accounted for 17.5% of New Zealand's total GHG emissions in 2022,[43] with the operation of Auckland Transport's bus and ferry fleet

[39] Sustainalytics, "Country Risk Rating: New Zealand (2024)"
[40] Auckland Council, "The Auckland Plan 2050", at: https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-plans-strategies/auckland-plan/maori-identity-wellbeing/Pages/default.aspx
[41] Sustainalytics, "Country Risk Rating: New Zealand (2024)"
[42] New Zealand Government, "GHG Emissions Inventory: Snapshot", at: https://environment.govt.nz/assets/publications/GHG-inventory-2024-Snapshot.pdf
[43] UNFCCC, "Transport and Climate Change Global Status Report", (2022), at: https://unfccc.int/sites/default/files/resource/202202251552---SLOCAT%20Transport%20and%20Climate%20Change%20Global%20Status%20Report_Global%20Overview.pdf

accounting for more than 93,000 tCO_2e in FY2023, the second largest source (40%) of GHG emissions in Auckland Transport's total GHG emissions profile.[44]

- KPI 2 addresses scope 3 emissions from Auckland Transport and represents 25.5% of Auckland Council's total calculated scope 1, 2 and 3 GHG emissions.[45] Sustainalytics also notes that, in FY2023, the GHG emissions from buses represented 76.89% of the emissions from public transportation in Auckland, excluding embodied emissions.[46] KPI 3 addresses Auckland Council's absolute scope 1 and 2 emissions and represents 9.3% of Auckland Council's total calculated scope 1, 2 and 3 GHG emissions.[47] Given that the KPIs collectively address the issue of GHG emissions for Auckland Council, Sustainalytics notes that the KPIs have a combined applicability of about 34.8%.

KPI 4: Native Ngahere (forest) restoration

Protection and restoration of forests have been priority areas of various international environmental agreements, such as the UN Framework Convention on Climate Change,[48] REDD+ under the Paris Agreement,[49] the UN Global Forest Goals[50] and Sustainable Development Goals,[51] and the Convention on Biological Diversity.[52] These agreements recognize the critical role that forests play in climate change mitigation and adaptation, especially GHG emissions reduction through carbon sequestration. New Zealand has a high level of endemic biodiversity and is recognized as a global hotspot for biodiversity, with an estimated 80,000 species of native animals, plants and fungi that are found nowhere else in the world. However, New Zealand's biodiversity is under significant pressure from introduced species, pollution, habitat loss and climate change. Almost 4,000 native species are currently threatened with or at risk of extinction, and addressing these threats is considered crucial to preventing further declines and irreversible losses.[53,54] Auckland, New Zealand's largest city, faces challenges in balancing urban growth with protecting native biodiversity. Urban expansion can reduce habitats and fragment ecosystems, and careful planning and management are needed to safeguard Auckland's natural heritage.[55,56]

As part of its wider Urban Ngahere (Forest) Strategy,[57] Auckland Council established the "200 Hectare Urban Ngahere" programme in its 2021 – 2031 10-year budget (the "Programme"). This Programme aims to increase native forest and permanent canopy cover around the Auckland region by planting stems on 200 hectares of land, specifically in the Regional Park Network, in part to support Auckland Council's targets to reduce greenhouse gas emissions. The planting of 200 hectares equates to the planting of approximately two million Native Ngahere Stems and, by 31 December 2024, Auckland Council had already planted 377,363 Native Ngahere Stems under this Programme. In terms of applicability, the KPI focuses on 622,637 Native Ngahere Stems[58], which is 38.4%[59]

[44] Auckland Transport, "Annual Report 2023", at: https://at.govt.nz/media/jaspbkl1/at-annual-report-2023.pdf
[45] Auckland Council, "Climate Statement FY2023", at: https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-annual-reports/docsannualreport20222023/vol-4-annual-report-2022-2023.pdf
[46] Ibid.
[47] Auckland Council, "Climate Statement FY2023", at: https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-annual-reports/docsannualreport20222023/vol-4-annual-report-2022-2023.pdf
[48] UNFCCC, "Fact sheet: Reducing emissions from deforestation in developing countries: approaches to stimulate action", (2011), at: https://unfccc.int/files/press/backgrounders/application/pdf/fact_sheet_reducing_emissions_from_deforestation.pdf
[49] Coalition of the Rainforest Nations, "The Paris Agreement & UNFCCC REDD+", at: https://www.rainforestcoalition.org/the-paris-agreement-unfccc-redd/
[50] UN, "Global Forest Goals and Targets of the UN Strategic Plan for Forests 2030", (2019), at: https://www.un.org/esa/forests/wp-content/uploads/2019/04/Global-Forest-Goals-booklet-Apr-2019.pdf
[51] UN, "Forests", at: https://sdgs.un.org/topics/forests
[52] Convention on Biological Diversity, "Introduction", at: https://www.cbd.int/intro
[53] New Zealand Government, "Theme 1: Our ecosystems and biodiversity", (2019), at: https://environment.govt.nz/publications/environment-aotearoa-2019/theme-1-our-ecosystems-and-biodiversity/
[54] Environment Guide, "New Zealand's Biodiversity", at: https://www.environmentguide.org.nz/issues/biodiversity/new-zealands-biodiversity/
[55] Auckland Council, "State of the environmental and biodiversity – Terrestrial biodiversity", at: https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-plans-strategies/unitary-plan/history-unitary-plan/documentssection32reportproposedaup/appendix-3-11-8.pdf
[56] Ellen MacArthur Foundation, "Urban planning that safeguards nature: Auckland", (2021), at: https://www.ellenmacarthurfoundation.org/circular-examples/urban-planning-that-safeguards-nature-auckland
[57] Auckland Council, "Auckland's Urban Ngahere (Forest) Strategy", (2019), at: https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-plans-strategies/topic-based-plans-strategies/environmental-plans-strategies/Documents/urban-ngahere-forest-strategy.pdf
[58] This represents the remaining stems to be planted to reach the 1 million stems of SPT 4, which is calculated as 1,000,000 – 377,363.
[59] There are 1,622,637 stems yet to be planted under the Programme. 38.4% is calculated as 622,637 / 1,622,637.

of the total targeted two million Native Ngahere Stems yet to be planted under the Programme. Hence, Sustainalytics considers the KPI to have a sufficient scope of applicability.

KPI Characteristics
In its assessment of the KPI's characteristics, Sustainalytics considers: i) whether it uses a clear and consistent methodology; ii) whether it follows an externally recognized definition; iii) whether the KPI is a direct measure of the issuer's performance on the material environmental or social issue; and iv) whether the methodology can be benchmarked against an external contextual benchmark.[60]

KPI 1: Diverse procurement

Sustainalytics considers Auckland Council's definition and methodology to calculate performance on KPI 1 to be clear based on the ease of calculation and replicability, and because the methodology has been consistently applied since FY2021. Auckland Council has adopted an internal methodology for calculating procurement spend, which includes spend on receipted goods from identified and confirmed diverse supplier groups. All spend is aggregated, ensuring that suppliers belonging to multiple diverse groups are counted only once towards the total.

Sustainalytics considers KPI 1 to be directly linked to Auckland Council's performance regarding material impact, given that procurement spend on indigenous community-owned businesses directly impacts the underlying material social topic of advancing indigenous cultures. Such targeted spending can support the socio-economic development of the most vulnerable communities in New Zealand. Furthermore, Sustainalytics notes that there are no external benchmarks currently available to assess progress on KPI 1 over the term of a bond or loan, but KPI 1 allows comparability with peers.

KPI 2: Transition of bus fleet

Sustainalytics considers Auckland Council's definition and methodology to calculate performance on KPI 2 to be clear based on the ease of calculation and replicability, and because the methodology has been consistently applied since FY2021. However, the KPI does not follow any externally defined methodology due to a lack of such methodology.

Sustainalytics considers KPI 2 to be indirectly linked to Auckland Council's performance regarding material impact, given that the number of operational LEBs indirectly impacts the underlying material environmental topic of climate change (GHG emissions and energy).[61] Furthermore, Sustainalytics notes that there are no external contextual science-based benchmarks currently available to assess progress on the KPI over the term of a bond or loan, but the KPI allows comparability with peers through a direct or proxy comparison.

KPI 3: Emissions reduction

Sustainalytics considers Auckland Council's definition and methodology to calculate performance on KPI 3 to be clear as it follows an external methodology based on the GHG Protocol Standard[62] or the equivalent ISO 14064. In addition, the methodology has been consistently applied since FY2019.

Sustainalytics considers KPI 3 to be directly linked to Auckland Council's performance regarding material impact, given that the KPI directly impacts Auckland Council's underlying material environmental topic related to climate change (GHG emissions and energy).[63] Furthermore, Sustainalytics notes that the KPI supports benchmarking against external emissions reduction trajectories, such as the Science Based Targets initiative's (SBTi) cross-sector absolute contraction approach.

KPI 4: Native Ngahere (Forest) Restoration: Planting of Native Ngahere Stems in the Regional Park Network

Sustainalytics considers Auckland Council's definition and methodology to calculate KPI performance to be clear as it uses its Conservation Information System, "Ruru" (refer to definitions) to record the number of Native Ngahere Stems planted each year under the Programme. Further, Auckland Council follows the "Plot-based

[60] External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.
[61] ICMA, "Illustrative KPIs Registry: Sector Materiality Matrix", at: https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/
[62] Greenhouse Gas Protocol, "A Corporate Accounting and reporting Standard", at: https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf
[63] ICMA, "Illustrative KPIs Registry: Sector Materiality Matrix", at: https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/

method" developed by Tāne's Tree Trust and Trees That Count to perform long-term monitoring of the Stems planted in order to achieve its long-term goal of an increase in permanent canopy cover.[64] In addition, the methodology has been consistently applied since FY2022.

Sustainalytics considers the KPI to be indirectly linked to Auckland Council's performance on biodiversity regarding material impact. Sustainalytics acknowledges that the number of Native Ngahere Stems planted is a direct indicator of land restoration and increased permanent canopy cover but notes that it is an indirect indicator of biodiversity conservation or climate change mitigation. Furthermore, Sustainalytics notes that there are no external contextual benchmarks currently available to assess progress on the KPI over the term of a bond or loan.

Overall Assessment

Sustainalytics considers KPI 1 to be strong given that it: i) represents a direct measure of Auckland Council's performance on a relevant and material social issue; ii) has a high scope of applicability; iii) follows a clear and consistent methodology; and iv) is not comparable with external benchmarks due to a lack of such benchmarks but allows comparability with peers.

Sustainalytics considers KPI 2 to be adequate given that it: i) is an indirect measure of Auckland Council's performance on a relevant and material environmental issue; ii) has a high scope of applicability together with KPI 3; iii) follows a clear and consistent methodology; and iv) is not comparable to external contextual science-based benchmarks due to a lack of such benchmarks.

Sustainalytics considers KPI 3 to be strong given that it: i) is a direct measure of Auckland Council's performance on a relevant and material environmental issue; ii) has a moderate scope of applicability; iii) follows a clear and consistent methodology that is externally defined; and iv) supports benchmarking against external GHG emissions reduction trajectories.

Sustainalytics considers KPI 4 to be adequate given that it: i) is an indirect measure of Auckland Council's performance on relevant and material environmental issues; ii) has sufficient scope of applicability; iii) follows a clear and consistent methodology; and iv) is not comparable to external contextual benchmarks due to a lack of such benchmarks.

KPI 1: Diverse procurement	Not Aligned	Adequate	Strong	Very strong
KPI 2: Transition of bus fleet	Not Aligned	Adequate	Strong	Very strong
KPI 3: Emissions reduction	Not Aligned	Adequate	Strong	Very strong
KPI 4: Native Ngahere (Forest) Restoration: Planting of Native Ngahere Stems in the Regional Park Network	Not Aligned	Adequate	Strong	Very strong

Calibration of Sustainability Performance Targets

Alignment with Auckland Council's Sustainability Strategy

Auckland Council has set the following SPTs for its KPIs:

- SPTs 1.1 to 1.3: Increase the annual proportion of influenceable procurement spend with identified or confirmed Māori- or Pasifika-owned business or social enterprises to 5.50% by FY2025, 5.75% by FY2026 and 6.00% by FY2027 from an FY2021 baseline.

[64] Trees That Count, "How to monitor your planted native trees", at: https://treesthatcount.co.nz/media/18163/ttc_advanced_monitoring_guide.pdf

- SPTs 2.1 to 2.3: Increase the total number of operational low-emission buses to 220 by FY2025, 250 by FY2026 and 290 by FY2027.
- SPT 3.1: i) Ensure that Auckland Council's GHG Emissions Reduction Plan and the SPTs for FY2026 and FY2027 are set; and ii) reduce Auckland Council's absolute scope 1 and 2 GHG emissions to 24,616 tCO_2e by FY2025.
- SPT 3.2: i) Ensure that Auckland Council's GHG Emissions Reduction Plan and the SPTs for FY2027 remain in place; and ii) reduce Auckland Council's absolute scope 1 and 2 GHG emissions to 23,826 tCO_2e by FY2026.
- SPT 3.3: i) Ensure that Auckland Council's GHG Emissions Reduction Plan remains in place; and ii) reduce Auckland Council's absolute scope 1 and 2 GHG emissions to 23,035 tCO_2e by FY2027.
- SPT 4[65]: By 31 December 2027, Plant at least 1,000,000 Native Ngahere Stems in the Regional Park Network (from and including the baseline).

Sustainalytics considers the SPTs to be aligned with Auckland Council's overall sustainability strategy. (please refer to Section 2 for an analysis of the credibility of Auckland Council's sustainability strategy).

Auckland Council's sustainability strategy is embedded within the broader framework of Auckland Plan 2050, which emphasizes the significance of Māori and Pasifika communities in the city's economic framework. The Plan recognizes the position of Māori as Indigenous people of the land and the value of ensuring that economic opportunities contribute to prosperity for Māori people, which by extension benefits all Aucklanders. This focus is impelled by the need for inclusive economic strategies that directly support the growth and integration of Māori- and Pasifika-owned businesses in Auckland's economy.[66] The plan also outlines a strategic direction towards sustainable transport solutions that reduce carbon emissions and enhance the public transport network' efficiency. It highlights the transition to low-emission buses as a key measure to reduce the environmental impact of Auckland's transport system, thus supporting the region's broader goals of sustainability and improved urban mobility.[67] The plan's environmental section prioritizes the reduction of GHG emissions as critical to preserving Auckland's natural heritage, and calls for concrete actions to mitigate climate change impacts, including measures to reduce scope 1 and 2 emissions across Auckland Council's operations and the wider community, and aligning with global and local agendas for environmental stewardship and resilience.[68] Under the Environment and Cultural Heritage outcome, the Council focuses on protecting Auckland's significant natural environments and cultural heritage from further loss. The Council has also developed the Urban Ngahere (Forest) Strategy, which focuses on planting native Ngahere trees in the regional parks to increase permanent canopy cover and thereby lead to positive social, environmental, economic and cultural impacts.[69]

Strategy to Achieve the SPTs

Auckland Council intends to achieve SPTs 1.1 to 1.3 through the following strategies:

- Implement procedures to ensure that all spend on goods from identified and confirmed diverse supplier groups is accurately counted and aggregated.
- Promote the Emerging Suppliers Programme (ESP), which is aimed at supporting diverse businesses to navigate the procurement process and become part of supplier panels for various work for Auckland Council.

[65] For a Sustainability-Linked Bond, the SPT will be measured once on 31 December 2027. For a Sustainability-Linked Loan or Sustainability-Linked Derivative, the projected annual performance trajectory outlined in Table 2, (or at least a straight-line trajectory starting from 2024), will be included in the relevant sustainable finance documents to establish annual SPTs.
[66] Auckland Council, "Auckland Plan 2050", (2018), at: https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-plans-strategies/auckland-plan/about-the-auckland-plan/docsprintdocuments/auckland-plan-2050-print-document.pdf
[67] Ibid.
[68] Ibid.
[69] Auckland Council, "Auckland's Urban Ngahere (Forest) Strategy", (2019), at: https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-plans-strategies/topic-based-plans-strategies/environmental-plans-strategies/Documents/urban-ngahere-forest-strategy.pdf

- Use the internal Kotahi system, Auckland Council's internal intranet, to publish and refresh the list of diverse suppliers whenever their status changes and access Amotai's and Ākina's platforms for real-time verification of Māori- and Pasifika-owned businesses and certified social enterprises.
- Differentiate between contracts awarded to identified and confirmed diverse suppliers in reporting to monitor progress and address gaps effectively. This includes continuous updates on the status of suppliers to reflect current data.
- Include procurement spend data from CCOs within the scope of Auckland Council's procurement system (SAP Ariba) to ensure comprehensive visibility and impact assessment.
- Maintain an active process for reviewing and identifying more than 700 suppliers to determine if they qualify as diverse suppliers under Auckland Council's criteria.

Auckland Council intends to achieve SPTs 2.1 to 2.3 through the following strategies:

- Auckland Transport developed the Low Emission Bus Roadmap in 2018 and updated it in 2023.[70] The roadmap presents three options for transitioning to a low-emission bus fleet, targeting completion by 2030, 2035 and 2040. These options are based on considerations of funding scenarios, technological viability and regulatory compliance.
- Auckland Transport engages with its supply chain through contractual agreements and engages with industry development initiatives to procure LEBs and retrofit buses to convert them to LEBs to address technological feasibility and financial viability issues.
- Auckland Transport considers route contracts as another enabling factor in transitioning to LEBs. Considering the average age of Auckland's bus fleet (10 years) and the maximum permitted age of 20 years, Auckland Transport intends to incorporate LEB specifications into the new route contracts tendered in the 2020s.
- Auckland Transport is actively working with the utility sector to enable sufficient support and infrastructure for the electrification of road transport, including having executed a memorandum of understanding with an Auckland-based utility company.

Auckland Council intends to achieve SPTs 3.1 to 3.3 through the following strategies:

- Transition of Auckland Council's fossil fuel vehicle fleet, including utility vehicles, vans and cars to electric vehicles.
- Completion of Auckland Transport's LED retrofitting of streetlights.
- Auckland Council's transition to 100% renewable energy in its energy mix, including installing solar panels and phasing out gas boilers and replacing them with electric boilers.
- Decarbonization of the Auckland Gallery and the Mount Smart Stadium, including decarbonizing the HVAC systems, replacing gas boilers with CO_2 heat pumps and installing solar panels.
- Corporate property energy efficiency projects, including installation of solar panels.
- Transition to electric boilers by phasing out gas boilers.
- Initiatives such as reducing livestock in council parks, applying regenerative farming practices and reducing fertilizer use.

Auckland Council intends to achieve SPT 4 through the following strategies:

- Auckland Council has already identified the sites across the Regional Park Network containing sufficient hectares for planting of stems up to and beyond 31 December 2027.
- Plant approximately 10,000 stems per hectare to ensure that 1,000,000 stems are planted by the end of 2027 and that the long-term goal of an increase in permanent canopy cover is achieved.

[70] Auckland Council, "Auckland's Low Emission Bus Roadmap", (2023), at: https://at.govt.nz/media/cbzlnuru/j008462-at-low-emission-bus-roadmap.pdf

- Use historical and current ecological data to select and source saplings that closely match the existing species in neighbouring native forests. This approach will ensure that local plants' genetic diversity is maintained and local biodiversity is protected.
- Auckland Council also has a target survival rate of 70-80% for planted areas, aligned with the Council's principle to manage the whole life cycle of urban trees and to achieve the long-term increase in permanent canopy cover.
- Auckland Council has contracts for saplings in place for the planned stem planting in 2025 with several large nurseries that can provide support with plant stock, planting labour and post-planting maintenance for the duration of the initiative. The contracts for saplings required for future planting years is expected to be secured prior to the start of the relevant calendar year.
- Auckland Council is also committed to providing an estimation of the costs involved in carrying out the activities related to native Ngahere restoration.
- Auckland Council has in place a credible and transparent system for tracking planting progress under the Programme. It has developed and operates a "Conservation Information System" known as "Ruru" which is a database for the recording of material information relating to the Native Ngahere Stems including:
    - Whether the stems are funded by or managed by council (or by a third party)
    - Whether the stems planted are indigenous (native to New Zealand) and ecosourced (i.e. closely matching existing species in neighbouring native forests)
    - How many stems have been planted
    - Where the stems are planted, and whether they are being managed, so they are well-placed to achieve permanent canopy cover (using the 'plot-based method')
    - How the stems at sites are being monitored and information relating to the health and the survival rates of the stems
- Auckland Council has already obtained external verification of its planting performance in calendar years 2023 and 2024, and it is committed to obtaining an external verification of its planting performance in calendar years 2025 and 2026, to ensure the accuracy of the reported data each year. This will enable Auckland Council to monitor its progress against the target, and therefore highlight if there becomes a need for it to step up its planting efforts, putting it in a better position to achieve the target by the end of 2027.

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPTs, Sustainalytics considers: i) whether the SPTs go beyond a business-as-usual trajectory; ii) how the SPTs compare to targets set by peers; and iii) how the SPTs compare with science-based references.[71]

Auckland Council has set the baseline for SPTs 1 and 2 at FY2021, SPT 3 at FY2019 and SPT 4 at 2022 as they represent periods when Auckland Council had implemented robust processes for accurate tracking of these KPIs. Sustainalytics notes that the market favours a more recent baseline aligned with the latest published data.

SPTs 1.1 to 1.3: Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer performance.

Between FY2021 and FY2024, Auckland Council increased the annual proportion of procurement influenceable spend with identified or confirmed Māori- or Pasifika-owned businesses or social enterprises by an average annual rate of 0.63 percentage points. Achieving the SPTs requires an average annual rate of increase of procurement influenceable spend of 0.92 percentage points between FY2024 and FY2025, 0.59 percentage points between FY2024 and FY2026 and 0.47 percentage points between FY2024 and FY2027. Additionally, Sustainalytics notes that the SPTs 1.1-1.3 exceed Auckland Council's publicly committed target of allocating 5% of influenceable procurement spend to diverse suppliers.[72] Sustainalytics considers SPTs 1.1 to 1.3 to be above Auckland Council's historical performance on the indicator.

[71] We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.
[72] Auckland Council, "Auckland Plan 2050", (2018), at: https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-plans-strategies/auckland-plan/about-the-auckland-plan/docsprintdocuments/auckland-plan-2050-print-document.pdf

Sustainalytics analysed the performance of three of Auckland Council's peers and found that these peers have relevant strategies in place but no publicly disclosed targets. Therefore, Sustainalytics considers SPTs 1.1 to 1.3 to be above peer performance.

SPTs 2.1 to 2.3: Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer performance.

Sustainalytics considered the share of LEBs in the total bus fleet (LEBs and non-LEBs) to compare the SPTs with past performance, using FY2024 as the reference year. The share of LEBs increased by 3.65 percentage points on average between FY2021 and FY2024. SPTs 2.1, 2.2 and 2.3 imply an average increase of 2.84, 2.48 and 2.60 percentage points, respectively, compared with the share of LEBs in FY2024. Sustainalytics notes that the share of LEBs is expected to increase from 13.3% in FY2024 to 21.6% in FY2027.[73] Auckland Council has a group-level target of reaching 50% LEBs by 2030 (beyond the SLL's maturity period in FY2027). Auckland Council has communicated to Sustainalytics that achieving future LEB targets will be more challenging compared with the initial increase; the increase of LEBs during FY2021-24 was mainly from extending a single contract, and the future progress hinges on complex negotiations with a wider range of suppliers, as Auckland Transport consolidates contracts. Furthermore, Auckland Council expects lengthy lead times for ordering and building EV buses, coupled with challenges in stakeholder engagement to address potential stranded asset risks in the event of existing buses being retired much earlier than their expected life cycle. Sustainalytics notes that these factors would slow the pace of EV integration compared with the initial surge. Therefore, Sustainalytics considers SPTs 2.1 to 2.3 to be above past performance and represent a continuous material improvement.

Sustainalytics analyzed the performance of sub-sovereigns in New Zealand and found that only a few councils and CCOs in New Zealand have set relevant targets or have strategies in place to support a bus fleet transition. Additionally, Sustainalytics notes that other sub-sovereigns in one country (Australia) in the same region have set relevant bus fleet transition targets or have publicly disclosed commitments. Additionally, Sustainalytics notes that a direct comparison of SPT 2 with peers' targets is limited by variations in reporting metrics and methodologies used. Overall, Sustainalytics considers SPTs 2.1 to 2.3 to be aligned with peer performance.

SPT 3.1 to 3.3: Sustainalytics was able to use the following benchmarks to assess ambitiousness: science-based references.

Due to changes in the emissions factors in New Zealand, Sustainalytics was not able compare SPTs 3a to 3c with past performance (between FY2019 and FY2023). Similarly, Sustainalytics did not compare SPTs 3.1 to 3.3 with peer targets because the publicly disclosed targets by councils in New Zealand cover reporting boundaries following different methodologies that are not comparable with the reporting approach of Auckland Council (See Table 1).

In terms of science, SPTs 3.1, 3.2 and 3.3 represent a linear annual reduction in GHG emissions by 6.7%, 6.0% and 5.5%, respectively, compared with FY2019, which is aligned with the SBTi's 1.5°C scenario using the cross-sector absolute contraction approach.[74,75]

SPT 4:

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer performance.

Between 2022 and 2024, Auckland Council planted an average of 125,788 Native Ngahere Stems per year. The SPT implies planting 1 million or more Native Ngahere Stems cumulatively by 2027, requiring an average of 207,546 stems to be planted between 2025 and 2027. Hence, Sustainalytics considers SPT 4 to be above Auckland Council's historical performance on the indicator.

Sustainalytics analyzed the performance of three of Auckland Council's peers (regional councils in New Zealand) and found that all three have relevant strategies in place, but only one council has set a native vegetation restoration target for 2050. Therefore, Sustainalytics considers the SPT to be above peer performance.

[73] The share of LEBs in the total fleet is determined by dividing the number of LEBs by the total fleet size. The total fleet for FY2024 is 1350 buses, with an assumed growth rate of 1.5% by FY2027.

[74] The absolute contraction approach is a method for companies to set emissions reduction targets that are aligned with the global annual emissions reduction rate that is required to meet the 1.5°C or well-below 2°C targets.

[75] Science Based Targets initiative, "SBTi Corporate Manual", (2023), at: https://sciencebasedtargets.org/resources/files/SBTi-Corporate-Manual.pdf

Overall Assessment

Sustainalytics considers the SPTs to align with Auckland Council's sustainability strategy and SPTs 1.1 to 1.3 to be ambitious given that they are: i) above historical performance; and ii) above the targets set by Auckland Council's peers.

Sustainalytics considers SPTs 2.1 to 2.2 to be ambitious given that they are: i) above past performance; and ii) aligned with peer performance.

Sustainalytics considers SPTs 3.1 to 3.3 to be highly ambitious given that they are aligned with the SBTi's 1.5°C scenario.

Sustainalytics considers SPT 4 to be ambitious given that it is: i) above historical performance; and ii) above the targets set by Auckland Council's peers.

SPTs 1.1 to 1.3: Increase the annual proportion of influenceable procurement spend with identified or confirmed Māori- or Pasifika-owned business or social enterprises to 5.50% by FY2025, 5.75% by FY2026 and 6.00% by FY2027	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPTs 2.1 to 2.3: Increase the total number of operational low-emission buses to 220 by FY2025, 250 by FY2026 and 290 by FY2027	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 3.1: i) Ensure that Auckland Council's GHG Emissions Reduction Plan and the SPTs for FY2026 and FY2027 are set; and ii) reduce Auckland Council's absolute scope 1 and 2 GHG emissions to 24,616 tCO_2e by FY2025	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 3.2: i) Ensure that Auckland Council's GHG Emissions Reduction Plan and the SPTs for FY2027 remain in place; and ii) reduce Auckland Council's absolute scope 1 and 2 GHG emissions to 23,826 tCO_2e by FY2026	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 3.3: i) Ensure that Auckland Council's GHG Emissions Reduction Plan remains in place; and ii) reduce Auckland Council's absolute scope 1 and 2 GHG emissions to 23,035 tCO_2e by FY2027	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 4: By 31 December 2027, Plant at least 1,000,000 Native Ngahere Stems in the Regional Park Network (from and including the baseline)	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious

Financial Characteristics

Auckland Council has disclosed that the sustainability-linked instruments issued under the Framework will have a sustainability-linked mechanism that may result in an interest margin step-up or down based on the achievement of some or all the SPTs. Furthermore, Sustainalytics notes that Auckland Council will include the margin adjustment, the effective dates and the calculation methodologies in the relevant documentation for each instrument. Sustainalytics considers these levels of disclosure to be aligned with the SLBP and SLLP, noting that it does not opine on the adequacy of the magnitude of the financial penalty.

Reporting

Auckland Council commits to report on its performance on the KPIs on its website for sustainability-linked bonds and in a private report to the relevant lenders for sustainability-linked loans or sustainability-linked derivatives, on an annual basis. The reports will also include relevant reporting parameters, including any other relevant information that may enable the lenders to monitor progress towards the SPTs. Auckland Council will also provide a sustainability confirmation statement attached to the verification information to lenders or published for investors in accordance with the Framework. Sustainalytics considers these reporting commitments to be aligned with the SLBP and SLLP.

Verification

Auckland Council commits to have an external review conducted against each SPT for each KPI at least once a year, which is aligned with the SLBP and SLLP on verification.

Section 2: Assessment of Auckland Council's Sustainability Strategy

Credibility of Auckland Council's Sustainability Strategy

Auckland Council's sustainability strategy is driven by the Auckland Plan 2050, a long-term spatial plan adopted by the Auckland Council in June 2018 to guide the growth and development of the Auckland region over the following 30 years.[76] The plan outlines six outcomes: i) Belonging and Participation; ii) Māori Identity and Well-being; iii) Homes and Places; iv) Transport and Access; v) Environment and Cultural Heritage; and vi) Opportunity and Prosperity.

The Environment and Cultural Heritage outcome emphasizes the importance of preserving and caring for Auckland's natural environment and cultural heritage. This outcome focuses on six key areas: "i) encourage all Aucklanders to be stewards of the natural environment, and to make sustainable choices; ii) focus on restoring environments as Auckland grows; iii) account fully for the past and future impacts of growth; iv) protect Auckland's significant natural environments and cultural heritage from further loss; v) adapt to a changing water future; and vi) use green infrastructure to deliver greater resilience, longterm cost savings and quality environmental outcomes."[77] Additionally, the Council has also developed a Climate Plan for Auckland, with Aucklanders, titled *Te Tāruke-ā-Tāwhiri* to address the challenges posed by climate change.[78] Te Tāruke-ā-Tāwhirisets the following key climate-related targets against a 2016 baseline: i) reduce GHG emissions by 50% by 2030 and achieve net zero emissions by 2050; ii) have 94% and 100% of the grid electricity powered by renewables by 2030 and 2050, respectively; iii) retrofit 50% and 100% of existing

[76] Auckland Council, "Auckland Plan 2050", at: https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-plans-strategies/auckland-plan/Pages/default.aspx
[77] Auckland Council, "Environment and cultural heritage", at: https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-plans-strategies/auckland-plan/environment-cultural-heritage/Pages/default.aspx
[78] Auckland Council, "Auckland's Climate Plan", at: aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-plans-strategies/topic-based-plans-strategies/environmental-plans-strategies/aucklands-climate-plan/Documents/auckland-climate-plan.pdf

residential and commercial buildings to a high standard of energy efficiency by 2030 and 2050 respectively; iii) 100% of Auckland's bus fleet to be zero emissions before 2035; iv) 40% and 80% of passenger and light commercial vehicles to be electric or zero emissions by 2030 and 2050, respectively; v) reduce total waste to landfill by 30% by 2027 and reach net zero waste by 2040; vi) reduce GHG emissions from industrial processes by 23% as a result of efficiency gains, innovation and introducing biochar into the steel making process by 2030 and 82% by 2050 by using both hydrogen and biochar; and vii) reduce GHG emissions from sources on land, i.e. from fertilizer use and liming by 30% by 2030 and by 80% 2050.[79]

Auckland's Urban Ngahere (Forest) Strategy focuses on planting native Ngahere trees in the regional parks to lead to positive social, environmental, economic and cultural impacts, such as enhancing community health and well-being by providing shade, reducing urban heat, and improving mental health through increased access to nature. The strategy also intends to improve air quality, enhance biodiversity, and support stormwater management, collectively contributing to ecological resilience. In addition, the urban ngahere is significant to Māori identity, sustaining the mauri (life force) of the land and fostering connections to heritage and traditional practices.

Finally, Auckland Council uses specific sustainable finance instruments to help fund climate initiatives that deliver on outcomes set out in the Auckland Plan 2050. In this sense, Auckland Council has issued 10 green bonds in the period 2018 to 2024, raising a total of NZD 3.9 million, with 3.7 billion still outstanding at the start of 2025. Further, Auckland Council executed a sustainability-linked loan in 2022.[80,81]

Sustainalytics considers that the instruments issued under the Framework will further support Auckland Council's sustainability strategy.

Environmental and Social Risk Management

Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are anticipated to have positive environmental impacts and that the SPTs are impactful. However, Sustainalytics is aware that such eligible projects and achieving the SPTs could also lead to negative environmental and social outcomes. Some key environmental and social risks potentially associated with the eligible projects and achievement of the SPTs include issues involving: land use and biodiversity, emissions effluents and waste, occupational health and safety, human and labour rights, risks related to bribery and corruption, and community relations and stakeholder engagement.

Sustainalytics is of the opinion that Auckland Council is able to manage or mitigate potential risks through implementation of the following:

- Auckland Council is a unitary authority[82] and hence under New Zealand's Resource Management Act 1991 (RMA),[83] is responsible for developing, implementing and reviewing policies and methods to maintain indigenous biodiversity, and is mandated to engage with all relevant communities in environmental decision-making processes. Additionally, the Council is also required to take into account the principles of the Treaty of Waitangi, the relationship of Māori and their culture and traditions with their ancestral lands, water, sites, waahi tapu (sacred sites) and other taonga (treasures) and particular regard to kaitiakitanga (ethics and practice of protection and conservation of the natural environment and the resources within it) in their decision-making processes.[84] Auckland's Indigenous Biodiversity Strategy[85] also applies to aquatic and terrestrial biodiversity from forests, scrubland, streams, wetlands, estuaries to coastal, intertidal, island and marine biodiversity on both public and private land, including people's backyards in urban areas, parks and schools, farms, industrial sites, and roadsides.

[79] Auckland Council, "Auckland's Climate Plan", p.46, at: aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-plans-strategies/topic-based-plans-strategies/environmental-plans-strategies/aucklands-climate-plan/Documents/auckland-climate-plan.pdf
[80] Auckland Council, "Auckland Council's funding and financing", at: https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-plans-strategies/topic-based-plans-strategies/environmental-plans-strategies/aucklands-climate-plan/implementation/Pages/auckland-council-funding-financing.aspx
[81] Auckland Council, "Auckland Council continues to expand sustainable finance initiatives", at: https://ourauckland.aucklandcouncil.govt.nz/news/2022/03/auckland-council-continues-to-expand-sustainable-finance-initiatives/
[82] Local government in New Zealand is made up of 78 territorial, regional and unitary councils or authorities. Six are unitary authorities, such as Auckland Council, where the roles and responsibilities of territorial authorities and regional council are combined in the areas they serve. Local Government New Zealand, "Councils in Aotearoa", at: https://www.lgnz.co.nz/local-government-in-nz/councils-in-aotearoa/
[83] New Zealand Legislation, "Resource Management Act 1991 – New Zealand Legislation", at : https://www.legislation.govt.nz/act/public/1991/0069/latest/DLM230265.html
[84] Auckland Council, "Engaging with mana whenua", at: https://www.aucklandcouncil.govt.nz/building-and-consents/resource-consents/prepare-resource-consent-application/Pages/engaging-with-mana-whenua.aspx
[85] Auckland Council, " Indigenous Biodiversity Strategy", at : https://www.aucklandcouncil.govt.nz/environment/what-we-do-to-help-environment/Documents/indigenous-biodiversity-strategy.pdf

- Regarding the management of emissions, effluents and waste, Auckland's Waste Management and Minimisation Plan[86] outlines collaborative action plans between the Council and businesses to reduce and divert waste, including GHG emissions. The plan is in line with Auckland's vision for zero waste by 2040.
- In relation to risks related to occupational health and safety, New Zealand's Health and Safety at Work Act sets the roles, responsibilities and duties of employers, officers and workers at ensuring health, safety and welfare at the workplace. The act sets requirements for: i) the design, manufacture, installation, use and handling of equipment, substances and structures; ii) worker engagement practices, such as establishing a health and safety committee and conducting regular safety meetings; iii) risk management processes to identify, assess and minimize risks; and iv) recording, reporting and resolving workplace incidents.[87]
- Regarding human and labour rights issues, New Zealand's Human Rights Act 1993[88] prohibits discrimination for access to public places, provision of goods and services, housing and accommodation. Also, the New Zealand Bill of Rights Act 1990[89] includes the right to freedom of expression, religious belief, freedom of movement, and the right to be free from discrimination. Furthermore, in relation to labour rights issues, modern slavery, forced labour, child labour, people smuggling and trafficking, New Zealand is a founding member of the ILO, having ratified 61 ILO Conventions, including: Forced Labour Convention, 1930[90] and its 2014 Protocol,[91] the Abolition of Forced Labour Convention, 1957,[92] and the Worst Forms of Child Labour Convention, 1999.[93,94]
- Additionally, New Zealand is recognized as a Designated Country under the Equator Principles, indicating the presence of robust environmental and social governance systems, legislation and institutional capacity to mitigate local environmental and social risks associated with the expenditures financed under the Framework.[95]

Overall, Sustainalytics considers that Auckland Council has adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of the UoPs and SPTs

Importance of financing decarbonization measures in Auckland region

Most of Auckland's GHG emissions in 2021 came from manufacturing (29.4%), household consumption (24.7%), services (11.8%), and transport, postal and warehousing (10.3%).[96] Transport emissions rise to 32.6% of Auckland's total emissions when factoring in households, highlighting the need for a low-emissions transport system. This emissions profile differs significantly from that of New Zealand as whole, where primary industries such as agriculture, forestry and fishing account for the most emissions. Being the country's business centre and most populated region, Auckland generates 38% of New Zealand's GDP from a diverse range of sectors including technology, health, construction and manufacturing. As Auckland continuously evolves as an increasingly

[86] Auckland Council , " Auckland Waste Management and Minimization Plan" , at : https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-plans-strategies/topic-based-plans-strategies/environmental-plans-strategies/docswastemanagementplan/auckland-waste-management-minimisation-plan.pdf
[87] New Zealand Legislation, "Health and Safety at Work Act 2015", at: https://www.legislation.govt.nz/act/public/2015/0070/latest/DLM5976660.html
[88] New Zealand Government, Parliamentary Counsel Office, "Human Rights Act 1993", at: https://www.legislation.govt.nz/act/public/1993/0082/latest/whole.html
[89] New Zealand Government, Parliamentary Counsel Office, "New Zealand Bill of Rights Act 1990", at: https://www.legislation.govt.nz/act/public/1990/0109/latest/whole.html#DLM224792
[90] ILO, "C029 - Forced Labour Convention, 1930", at: https://normlex.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C029
[91] ILO, "Protocol of 2014 to the Forced Labour Convention, 1930", at: https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/ILO_P_029.pdf
[92] ILO, "Abolition of Forced Labour Convention, 1957", at: https://normlex.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312250:NO
[93] New Zealand Government, Foreign Affairs and Trade, "Combatting modern slavery", at: https://www.mfat.govt.nz/en/trade/nz-trade-policy/combatting-modern-slavery
[94] ILO, "Worst Forms of Child Labour Convention, 1999", at: https://normlex.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C182
[95] Equator Principles, "About the Equator Principles", at: https://equator-principles.com/about-the-equator-principles/
[96] Tataki Auckland Unlimited, " Mitigating climate change in New Zealand: impacts on Auckland's economy", at: https://industry.aucklandnz.com/sites/build_auckland/files/media-library/documents/Climate_Change_and_Sustainability_Insights_Report_0.pdf

urbanized economic hub with a rapidly growing population, managing this transformation becomes increasingly complex, particularly in terms of sustainability and the transition to a low-carbon economy.[97]

Under a business-as-usual scenario, the Auckland region's net GHG emissions are projected to increase by approximately 19% (against a 2016 baseline), reaching 12.4 $MtCO_2e$ by 2050.[98] Auckland has set targets to reduce its GHG emissions by 50% by 2030 (compared to 2016) and aims to achieve net zero emissions by 2050. Achieving these targets will require significant efforts across various sectors, including transport, buildings, waste, industry and agriculture. For the buildings sector, Auckland aims for a 50% reduction in GHG emissions by 2030 through energy efficiency upgrades, the promotion of low-emission heating systems and sustainable building practices. In the energy sector, Auckland targets a 100% renewable energy supply by 2030, focusing on increasing the uptake of renewable sources such as solar and wind, enhancing energy efficiency, and supporting local energy generation. In the transport sector, Auckland has identified a need to reduce emissions by 64% by 2030 compared to 2016 levels, with actions including transitioning the entire public transport fleet to zero-emission vehicles by 2040, expanding cycling and walking infrastructure, and enhancing public transport services to reduce reliance on private vehicles.[99] Auckland Council's investment and budget details related to climate action were outlined in the 2021-2031 10-year Budget, which includes a significant focus on responding to climate change, and more recently in the 2024-2034 10-year Budget.[100] Specifically, in the 2021-2031 10-year Budget an additional NZD 152 million was earmarked to accelerate climate actions, such as the electrification of the bus fleet, with a target of having 50% of the total bus fleet being zero emissions by 2030.[101]

Based on the above context, Sustainalytics is of the opinion that the Framework's use of proceeds and the SPTs are expected to support Auckland Council's decarbonization efforts and targets.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG Target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Green Buildings	11. Sustainable Cities and Communities	11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities
Pollution Prevention and Control	11 Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Environmentally Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Climate Change Adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous

[97] Ibid.
[98] Auckland Council, "Auckland's Climate Plan", at: aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-plans-strategies/topic-based-plans-strategies/environmental-plans-strategies/aucklands-climate-plan/Documents/auckland-climate-plan.pdf
[99] Ibid.
[100] OIDP, "Auckland's 10-year Budget 2021-2031 consultation", at: https://oidp.net/en/practice.php?id=1304
[101] Ibid.

		chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
KPI	**SDG**	**SDG Target**
KPI 1: Diverse Procurement	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation
	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or other status
	12. Responsible Consumption and Production	12.7: Promote public procurement practices that are sustainable, in accordance with national policies and priorities
	17. Partnerships for the Goals	17.16: Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology, and financial resources, to support the achievement of the SDGs in all countries, in particular developing countries
KPI 2: Transition of bus fleet	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible, and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities, and older persons
	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries 13.2 Integrate climate change measures into national policies, strategies and planning.
KPI 3: Emissions reduction	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries 13.2 Integrate climate change measures into national policies, strategies and planning.
KPI 4: Native Ngahere (Forest) Restoration: Planting of Native Ngahere Stems in the Regional Park Network	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries 13.2 Integrate climate change measures into national policies, strategies and planning.

Conclusion

Auckland Council has developed the Auckland Council Sustainable Finance Framework under which it may issue use of proceeds and sustainability-linked instruments.

Auckland Council intends to use the proceeds and funds from the green bonds and loans to finance or refinance projects related to Renewable Energy, Energy Efficiency, Green Buildings, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Clean Transportation, Climate Change and Adaptation, and Sustainable Water and Wastewater Management. The Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact.

Under the sustainability-linked instruments, Auckland Council will tie the financial characteristics of the instruments to achievement of the following SPTs:

- SPTs 1.1 to 1.3: Increase the annual proportion of influenceable procurement spend with identified or confirmed Māori- or Pasifika-owned business or social enterprises to 5.50% by FY2025, 5.75% by FY2026 and 6.00% by FY2027 from an FY2021 baseline.
- SPTs 2.1 to 2.3: Increase the total number of operational low-emission buses to 220 by FY2025, 250 by FY2026 and 290 by FY2027.
- SPT 3.1: i) Ensure that Auckland Council's GHG Emissions Reduction Plan and the SPTs for FY2026 and FY2027 are set; and ii) reduce Auckland Council's absolute scope 1 and 2 GHG emissions to 24,616 tCO_2e by FY2025.
- SPT 3.2: i) Ensure that Auckland Council's GHG Emissions Reduction Plan and the SPTs for FY2027 remain in place; and ii) reduce Auckland Council's absolute scope 1 and 2 GHG emissions to 23,826 tCO_2e by FY2026.
- SPT 3.3: i) Ensure that Auckland Council's GHG Emissions Reduction Plan remains in place; and ii) reduce Auckland Council's absolute scope 1 and 2 GHG emissions to 23,035 tCO_2e by FY2027.
- SPT 4[102]: By 31 December 2027, Plant at least 1,000,000 Native Ngahere Stems in the Regional Park Network (from and including the baseline)

Sustainalytics considers KPI 1 to be strong given that it: i) represents a direct measure of Auckland Council's performance on a relevant and material social issue; ii) has a high scope of applicability; iii) follows a clear and consistent methodology; and iv) is not comparable with external benchmarks due to a lack of such benchmarks but allows comparability with peers. Sustainalytics considers KPI 2 to be adequate given that it: i) is an indirect measure of Auckland Council's performance on a relevant and material environmental issue; ii) has a high scope of applicability together with KPI 3; iii) follows a clear and consistent methodology; and iv) is not comparable to external contextual science-based benchmarks due to a lack of such benchmarks. Sustainalytics considers KPI 3 to be strong given that it: i) is a direct measure of Auckland Council's performance on a relevant and material environmental issue; ii) has a moderate scope of applicability; iii) follows a clear and consistent methodology that is externally defined; and iv) supports benchmarking against external GHG emissions reduction trajectories. Sustainalytics considers KPI 4 to be adequate given that it: i) is an indirect measure of Auckland Council's performance on relevant and material environmental issues; ii) has sufficient scope of applicability; iii) follows a clear and consistent methodology; and iv) is not comparable to external contextual benchmarks due to a lack of such benchmarks.

Sustainalytics considers the SPTs to align with Auckland Council's sustainability strategy and SPTs 1.1 to 1.3 to be ambitious given that they are: i) above historical performance; and ii) above the targets set by Auckland Council's peers. Sustainalytics considers SPTs 2.1 to 2.2 to be ambitious given that they are: i) above past performance; and ii) aligned with peer performance. Sustainalytics considers SPTs 3.1 to 3.3 to be highly ambitious given that they are aligned with the SBTi's 1.5°C scenario. Sustainalytics considers SPT 4 to be ambitious given that they are: i) above historical performance; and ii) above the targets set by Auckland Council's peers. Sustainalytics considers the Framework's reporting and verification commitments to be aligned with the Sustainability-Linked Bond Principles 2024 and Sustainability-Linked Loan Principles 2025.

Based on the above, Sustainalytics is confident that Auckland Council is well positioned to issue green bonds and loans, and sustainability-linked bonds and loans, and derivatives and that that the Auckland Council Sustainable Finance Framework aligns

[102] For a Sustainability-Linked Bond, the SPT will be measured once on 31 December 2027. For a Sustainability-Linked Loan or Sustainability-Linked Derivative, the projected annual performance trajectory outlined in Table 2, (or at least a straight-line trajectory starting from FY2024), will be included in the relevant sustainable finance documents to establish annual SPTs.

with the Green Bond Principles 2021, Green Loan Principles 2025, Sustainability-Linked Bond Principles 2024 and Sustainability-Linked Loan Principles 2025.

Disclaimer

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