

AUCKLAND COUNCIL

Sustainable Finance Framework

September 2024



1. Overview

Auckland Council (the council) is the territorial authority for Tāmaki Makaurau Auckland, responsible for enabling democratic local decision-making and action by, and on behalf of communities. The Auckland Council Group (the group) is comprised of the council, Ports of Auckland Limited (POAL) and the five substantive council-controlled organisations (CCOs) that include Auckland Transport, Watercare Services Limited (Watercare), Eke Panuku Development Auckland Limited, Tātaki Auckland Unlimited Limited (formerly Auckland Unlimited Limited) and Tātaki Auckland Unlimited Trust (formerly Regional Facilities Auckland). The council is responsible for funding the CCOs and POAL, with an upcoming specific funding treatment for Watercare from 1 July 2025: the Local Government (Water Services Preliminary Arrangements) Act 2024 introduced in September 2024, prohibits the council from providing financial support to Watercare.

The group's role is to deliver services and infrastructure required for Auckland to grow into a more prosperous region; one that gives a voice to its communities and is a great place to live, invest and visit. Auckland represents approximately 1.7 million people stretching from Wellsford in the north to Franklin in the south. In addition to providing essential infrastructure, the council is responsible for collecting rubbish, maintaining, and developing parks and reserves, running public libraries, swimming pools and recreation centres, and providing services such as building and resource consents, dog registrations and liquor licensing.



2. Sustainability at Auckland Council

The group's activities are framed by the **Auckland Plan 2050** (Auckland Plan) which is the council's long-term spatial plan to ensure Auckland grows in a way that will meet the opportunities and challenges of the future. The Auckland Plan sets the strategic direction for Auckland and its communities that integrates social, economic, environmental, and cultural objectives. The Auckland Plan looks ahead to 2050 and considers how we will address our key challenges associated with high population growth, shared prosperity and environmental degradation.

The Auckland Plan has six important areas in which we must make significant progress, so that Auckland can continue to be a place where people want to live, work and visit. The Auckland Plan outcomes include:

1. belonging and participation
2. Māori identity and wellbeing
3. homes and places
4. transport and access
5. environmental and cultural heritage
6. opportunity and prosperity.

The group has various plans and strategies that deliver on the Auckland Plan, including **Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan** (Te Tāruke-ā-Tāwhiri), Auckland's regional response to climate change.

Te Tāruke-ā-Tāwhiri has two core goals:

- reduce Tāmaki Makaurau Auckland's greenhouse gas (GHG) emissions by 50 per cent by 2030 and achieve net zero emissions by 2050 (against a 2016 baseline); and
- adapt to the impacts of climate change by ensuring we plan for the changes we face under our current emissions pathway.

The group (excluding POAL) has also committed to reduce its operational greenhouse gas emissions by 50 per cent by 2030 (against a 2019 baseline).

In response to Te Tāruke-ā-Tāwhiri and to sustainability challenges, mana whenua have developed a Te Ao Māori well-being framework in parallel to Te Tāruke-ā-Tāwhiri called **Te Ora ō Tāmaki Makaurau Wellbeing Framework**.

In August 2021, the council became a signatory to the **C40 Cities Divest/Invest Declaration** committing the council to invest in climate solutions and the green economy and divest from fossil fuels. This declaration reaffirms the council's commitment not to invest in companies engaged in the extraction of fossil fuels. As part of this declaration, the council has also committed to raising the majority of its debt through sustainable finance mechanisms such as green bonds, and diversifying its use of sustainable finance mechanisms, with tools such as sustainability linked loans and bonds.

Raising sustainable debt under this Sustainable Finance Framework enables the group to reflect and align its funding with specific assets or projects that support the achievement of the Auckland Plan and Te Tāruke-ā-Tāwhiri, and deliver on the council's commitments as a C40 Divest/Invest Declaration signatory.

3. Sustainable Finance Framework

The council has prepared this Sustainable Finance Framework (the framework) to support the council to raise sustainable debt via the execution and issuance of a range of sustainable debt instruments, namely:

- green financing transactions in the form of green bonds or green loans (together ‘Green Debt’) where an amount equal to the net proceeds of the Green Debt are allocated to finance or refinance eligible assets (see below); and
- sustainability-linked transactions in the form of sustainability-linked bonds, loans or derivatives – financing where the economic terms of the financing are linked to council’s achievement of sustainability performance targets (Sustainability-Linked Debt).

The framework provides overarching criteria and guidelines as to how the council will issue sustainable debt instruments and manage them on an ongoing basis in alignment with the voluntary sustainable finance market standards.

At the time of initial publication of the framework, the council engaged a third-party to complete an external review of the framework and confirm it is prepared in accordance with applicable market standards, and will engage, for any subsequent material changes, a third-party assurance and/or a second party opinion provider.

The Treasury Management Steering Group¹ (TMSG), with assistance from the Manager Group Sustainable Finance and the Chief Sustainability Office will hold responsibility and accountability for the framework, including all compliance, throughout the life of all green bonds and loans and sustainability linked bonds and loans.

The council is committed to following best practice and appreciates any feedback from market participants on the approaches set out in this framework. Details on how to contact the council’s Investor Centre Team can be found [here](#). This framework may be updated from time to time to ensure continued alignment with the relevant market standards. Any updated version of this framework will either maintain or improve the current levels of transparency and reporting disclosures, including the corresponding external review.

¹ TMSG consisting of senior council officers and external independent experts who monitor and review council treasury risks and operations. More information on the TMSG can be found in council’s **Treasury Management Policy**.



4. Green bonds and green loans

This section of the framework sets out how the council proposes to issue and manage its Green Debt on an ongoing basis. Green Debt instruments will align to the International Capital Market Association (ICMA) 2021 Green Bond Principles (GBP) or Loan Market Association (LMA) 2023 Green Loan Principles (GLP), and where applicable, the Climate Bond Standards (CBS²) each as subsequently amended or updated.

The council developed the framework in line with the GBP and GLP and, as such, will address the four core components of those market standards as follows:

- use of proceeds
- process for evaluation and selection
- management of proceeds
- reporting.

4.1. Use of proceeds

An amount equal to the net proceeds of its Green Debt issued under the framework will be allocated to finance planned projects and assets that are intended to deliver positive social, governance or environmental outcomes, which contribute to a low carbon and climate resilient future, and which conform to the eligibility criteria set out below (eligible assets), or refinance of corporate debt that supports eligible assets.

Eligible assets may include projects and assets that the group:

- owns outright (including assets that are owned but not managed by the council); and
- 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.

Eligible assets will include those delivered, or those in the process of being delivered with budget allocated to them.





The eligibility criteria is regularly updated and it will apply to all new assets added to the council's eligible asset schedule from 30 September of the year of update. Assets that have been added under that particular year's updated criteria will be identified in the eligible asset schedule.

The council's eligible asset schedule will be reviewed on an annual basis to ensure that eligible assets align with the latest eligibility criteria.








Eligible assets are aligned with the relevant United Nations Sustainable Development Goals (UN SDG), as indicated on the next page.

Where relevant, assets that support a green bond or loan certified under the CBS will be assessed against the relevant CBS criteria.

² climatebonds.net/ CBI is a not-for-profit organisation working to mobilise global capital for climate action.

Eligibility sector	UN SDG alignment	Eligibility criteria
Renewable energy		<p>Generation of energy from renewable sources such as wind, solar, geothermal, hydropower (provided environmental and social impact assessments are undertaken and no significant controversies are identified) and its supporting infrastructure, and bioenergy with lifecycle emissions of less than 100g CO₂e/kWh, declining to 0g CO₂e/kWh by 2050 and where only second-generation biofuels are used, as relevant.</p> <p>Solar energy generation facilities should have no more than 15% of electricity generated from non-renewable sources.</p> <p>Technology/componentry manufacturing that contributes to renewable energy generation that meets the above criteria (e.g. wind turbines and solar panels).</p>
Energy efficiency	 	<p>Business, assets, or projects that develop processes and products/technology that reduce energy consumption of the underlying asset and achieve a minimum 30% reduction in greenhouse gas emissions, for example technologies in new and refurbished buildings, energy storage, district heating, smart grids, appliances, and products.</p>
Green buildings³		<p>Construction of low carbon and efficient buildings that have or will receive a minimum 5-Green Star rating or have an equivalent third party certification (e.g. NABERSNZ), specifically for new asset developments and major renovations on assets over \$10 million.</p> <p>Existing buildings that have a minimum 5-Green Star rating or equivalent third party certification for energy and emissions efficiency of the identified buildings (provided the certification is deemed acceptable to the sustainable finance market e.g. NABERSNZ).</p> <p>Renovations of current buildings to a minimum 4-Green Star rating or equivalent third party certification for energy and emissions efficiency of the identified buildings (provided the certification is deemed acceptable to the sustainable finance market e.g. NABERSNZ).</p> <p>For precincts, the rateable Net Lettable Area (NLA) meets these same recognised standards for at least 90% of the total NLA.</p>

³ The council will endeavour to align Green Buildings eligibility criteria to the New Zealand Green Building Council 'Green Finance Guidance for Green Buildings' (NZGBC Guidance). At the date of this framework, the NZGBC Guidance is version 1.0 dated August 2024, as may be amended or updated. The NZGBC Guidance sets the NZGBC's views on the minimum green certifications required for assets to be classified as a Green Building under the GLP/ GBP.

Eligibility sectors	UN SDG alignment	Eligibility criteria
Pollution prevention and control		<p>Facilities that contribute to reduction of air emissions, to greenhouse gas control and to soil remediation.</p> <p>Waste management projects, technologies, assets and supporting infrastructure that promote or enable waste prevention, minimisation, collection, recycling (including pre-sorting), composting, or landfill gas/capture of GHG emissions. This includes assets used for preparation and storage of materials for recycling or re-use.</p>
Environmentally sustainable management of living natural resources and land use		<p>Environmentally sustainable management of living natural resources and land use (including environmentally sustainable animal husbandry; climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable forestry, including afforestation or reforestation, and preservation, rehabilitation, or restoration of natural landscapes).</p>
Clean transportation	 	<p>Low carbon transport assets, systems, and infrastructure (including retrofits) such as tramways, electric trains, metro, public walking and cycling infrastructure, cycling schemes, electric and hydrogen vehicles and associated infrastructure, information and communications technologies that improve asset utilisation of low carbon transport. For bus, bus rapid transport, commuter rail and hybrid cars, a greenhouse gas emissions threshold of 50 gCO₂ per passenger per km will apply</p>
Climate change adaptation		<p>Climate change resilience and adaptation interventions that may include projects costs to mitigate flooding, or costs associated with the buyout of properties/assets impacted by severe weather events as a result of climate change (providing that repurposing of the land does not result in any adverse impacts, and is in alignment with the TMSG considerations detailed in section 4.2). Infrastructure and technologies that increase resilience to and protect against the impacts of climate change including natural ecosystem preservation.</p>
Sustainable water and wastewater management	 	<p>Both engineered and nature-based water, stormwater and wastewater management including collection, storage, treatment, distribution and recycling infrastructure and technologies as well as water management systems to buffer against floods or drought.</p>

4.2. Process for evaluation and selection

4.2.1. Initial process

An asset eligibility questionnaire has been developed by Treasury and the Chief Sustainability Office and approved by TMSG to assess whether a potential asset or project complies with the eligible criteria above and to ensure the environmental, social, cultural and climate-related risks associated with the project have been considered.

The questionnaire includes three phases of questions:

- initial eligibility assessment – to determine whether an asset could be eligible based on alignment to the eligibility criteria and the value of the asset
- general asset information – to determine eligibility based on strategic alignment, ownership, asset phase e.g. under construction or operational, source of finance, associated risks and impact tracking; and
- detailed eligibility criteria assessment– if an asset has passed through the first two phases, detailed questions relating to the eligible sector selected in phase one will need to be completed.

Asset managers are notified after each phase of questions whether their asset could be eligible or not.

Throughout the questionnaire, asset managers may be asked to provide additional information or supporting documentation.

4.2.2. Review by Manager Group Sustainable Finance and Chief Sustainability Office

If an asset has been deemed eligible once all three phases of the questionnaire have been completed, the questionnaire will be sent to the Manager Group Sustainable Finance who will carry out further assessment based on the supporting documentation provided. The Chief Sustainability Office and Treasury are responsible for carrying out the final assessment.

The related risk management processes, including risk mitigants, will be assessed for each asset or project and communicated to investors in the ‘use of proceeds’ report, as relevant.

4.2.3. Approval by TMSG

The assets that meet the eligibility criteria as set out above will then be presented to the TMSG for approval to be added to the eligible asset schedule. The TMSG will manage the selection process of eligible assets by applying professional judgement, discretion, sustainability knowledge and by considering the following objectives, features, and benefits:

- conformance with the relevant market standards
- conformance with the eligibility criteria set out above
- current source of finance (budgeted and/or allocated) to determine ease and cost implications of financing or re-financing
- alignment with the Auckland Plan and Te Tāruke-ā-Tāwhiri objectives
- environmental, cultural and/or social risks associated with the assets and how they are or can be managed and mitigated; and
- where the council chooses, conformance with any other sustainable finance principles, standards, or tools (such as the CBS, the EU Taxonomy or any regional or local sustainable taxonomy) that are or become commonplace and highly regarded in the market.

The complete list of eligible assets and their values/budgets will be provided in the council’s ‘use of proceeds’ report.

Where relevant, in transaction documentation, the council will provide information on the alignment of eligible assets with market standards and/or other taxonomies, related eligibility criteria, including (if applicable) exclusion criteria, and disclose any green standards or certifications referenced in project selection to investors or lenders.

4.3. Management of proceeds

To manage the risk of holding unallocated proceeds from Green Debt, the combined value of the Green Debt will be less than the total value of the eligible assets and any balance of funding will be met through existing funding sources.

4.3.1. Tracking of proceeds

The council tracks the receipt and use of proceeds of its Green Debt via its internal reporting systems, ensuring eligible assets being (re)financed are appropriately identified.

In addition, to ensure appropriate earmarking for the purpose of internal monitoring and external reporting of proceeds, the council maintains a register that contains details (including value) of all eligible assets (re)financed by or able to be (re)financed by Green Debt⁴.

The council will service its Green Debt out of general cashflows and not specifically from revenues generated by eligible assets alone.

Proceeds derived from Green Debt that are certified under the CBS, and the proceeds generated from non-CBS certified Green Debt will be tracked via the council's internal reporting systems to ensure each tranche of debt will be allocated, tracked, and reported separately. The council will also attest to the above process.

4.3.2. Unallocated proceeds

To the extent that Green Debt proceeds have not been allocated to eligible assets at issuance, or if during the life of the Green Debt proceeds become unallocated (Unallocated Proceeds) (for example, because an eligible asset has been sold), the amount of unallocated proceeds shall be:

- held in temporary investment instruments that are cash, or cash equivalent instruments, within a treasury function; or
- held in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or
- applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to eligible assets.

Should unallocated proceeds arise for any outstanding Green Debt:

- the council will disclose this information within the annual use of proceeds reporting referenced in **section 4.4**; and
- no contractual right of review or repayment will arise, and no loss of green classification will occur.

The council expects there to be adequate headroom of eligible assets and will endeavour to ensure that funds are disbursed to eligible assets within 24 months of the issuance of the Green Debt.

⁴ The general valuation principle followed is the book value for refinanced assets and project cost for new assets.

4.4. Reporting

The council will publish information annually on the eligible assets as follows:

- a brief description of the eligible assets and a current list of eligible assets, along with their values (the use of proceeds report)
- a summary of the environmental outcomes that have been delivered by the eligible assets (the impact report)
- broader outcomes delivered by the eligible assets including social and cultural outcomes, where applicable
- qualitative and, where feasible, quantitative performance measures as part of reporting on the impact of the eligible asset
- key underlying methodology and/or assumptions used in the quantitative determination for any performance indicators or measures; and
- information will be presented in generic terms or on an aggregated portfolio basis in situations where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available.

The council will refer to and adopt, where appropriate, the guidance and impact reporting templates provided in the ICMA **Harmonised Framework for Impact Reporting**.

Information related to the council's Green Debt will be made publicly available as follows:

Disclosure Item	Timing	Location
Framework	At the time of first issuance under this framework and when updated.	aucklandcouncil.govt.nz/about-auckland-council/business-in-auckland/Pages/investor-centre.aspx
External review (assurance statements/ second party opinion, annual reviews)	At completion of each external review process to the extent allowed by external reviewer.	
Climate Bond Initiative (CBI) certification under the CBS	At programme certification and upon completion of any subsequent certification process.	
Use of proceeds report	Annually, in line with the council's reporting timeline.	
Impact report	Annually, in line with the council's reporting timeline.	

In 2019, the council moved to programmatic certification under the CBS by the CBI for all CBI- certified bonds listed at the time of the framework update. Details of CBI programmatic certification are available at:

climatebonds.net/programmatic-certification

4.5. External review

The council has obtained external review from a third-party verifier that the framework and eligible assets in the council's eligible asset schedule align to the relevant market standards.

If the framework is materially amended, or if the council issues Green Debt more than two years after the date of this framework, the council may obtain an external review from an appropriately qualified verifier that the framework and eligible assets align to the market standards.

The council will also seek post-issuance external reviews against the market standards at least once during the tenor of each green bond and loan. Pre and post external reviews may coincide with the annual use of proceeds reporting. These external review statements will be published as per the reporting schedule in **section 4.4**.

The CBS provides a sound framework and scientific criteria to ensure that Green Debt proceeds are used in ways that are consistent with delivering low carbon outcomes. Where sector criteria are available, the council may choose to seek CBI certification for an individual issuance.

In addition, the council may seek other forms of independent review, such as second party opinions and evaluations from organisations such as rating and carbon reporting agencies, or any other form of independent review that becomes accepted by the market.



5. Sustainability-Linked Debt

This section of the framework sets out how the council proposes to issue and manage its Sustainability-Linked Debt on an ongoing basis. Sustainability-Linked Debt includes sustainability-linked bonds (SLB), sustainability-linked loans (SLL) and sustainability-linked derivatives (SLD) which are Sustainable Debt Instruments issued for general corporate purposes (and therefore the council is not required to utilise the proceeds to finance eligible assets).

A SLB, SLL or SLD enables the council to link its cost of borrowing to the achievement of pre-defined and ambitious sustainability performance targets against selected material key performance indicators.

The council will manage any Sustainability-Linked Debt it may issue or execute in accordance with the framework and with the applicable market standards, which includes:

- for sustainability-linked loans, the APLMA 2023 Sustainability-Linked Loan Principles (SLLPs)
- for sustainability-linked bonds, the ICMA 2024 Sustainability-Linked Bond Principles (SLBPs); and
- for sustainability-linked derivatives, the ISDA Sustainability-linked Derivatives: KPI Guidelines.

The council has developed the framework for Sustainability-Linked Debt in line with the SLBP and SLLP respectively and, as such, will address the five core components of those market standards as follows:

- selection of key performance indicators (KPIs)
- calibration of sustainability performance targets (SPTs)
- instrument characteristics
- reporting; and
- verification.

5.1. Selection of key performance indicators

5.1.1. Process overview

When executing or issuing Sustainability-Linked Debt, the council will select measurable and quantifiable KPIs, that are relevant, core and material to the council and of high strategic significance to the council's current and future operations.

In selecting the relevant KPIs, consideration will be given to materiality, measurability, ability to be verified by an external reviewer, ability to be benchmarked, and the availability of historic data (specifically, if the KPI has not already been included in previous reports where historical externally verified data is reported).

KPI's that are applied to council's Sustainability-Linked Debt instruments may be derived from one or more of the following KPI themes that include, but are not limited to:

- emissions reduction
- energy efficiency
- waste management and minimisation
- biodiversity and/or carbon sequestration
- climate governance
- water management
- cultural outcomes
- low carbon transport e.g. transition of bus fleet
- sustainable procurement e.g. diverse or local procurement
- native ngahere (forest) restoration

- climate change adaptation
- employee engagement
- diversity and inclusion; and
- or any other environmental, social or governance metrics that the council deems material.

Any KPI selected will align to the Auckland Plan, Te Tāruke-ā-Tāwhiri and other relevant council sustainability strategies, as appropriate, and be approved by the TMSG.

Clear definition of the KPIs is to be provided within any transaction documentation along with the:

- applicable scope or parameter
- the calculation methodology
- the definition of/and rationale for the baseline, and situations where recalculations or pro forma adjustments to the baseline will take place; and
- benchmarking against an industry standard, historical data and/or industry peers, where feasible.

5.1.2. Identification of selected KPIs

In financial year 2024/2025, the council selected the following KPIs, which are core, relevant and material to its business (see Appendix A for more details):

KPI 1 – Diverse procurement: Annual proportion of procurement influenceable spend with identified and/or confirmed Māori and/or Pasifika-owned business or social enterprises.

KPI 2 – Transition of bus fleet: Number of operational low emissions buses (LEBs) within the Auckland Transport bus fleet.

KPI 3 – Emissions reduction: Reduction of the Auckland Council Group's scope 1 and 2 greenhouse gas emissions, aligned with reducing emissions by 50 per cent by 2030 and reaching net-zero emissions by 2050.

KPI 4 – Native ngahere (forest) restoration: Planting of native ngahere stems in regional parks.

5.2. Calibration of sustainability performance targets

To incentivise performance against the KPIs, the council will select one or more timebound sustainability performance targets that are set in such a way that they are:

- meaningful in respect of the council's operations and impact
- ambitious (and remain ambitious throughout the life of the Sustainability-Linked Debt), as determined through historical benchmarking and where possible benchmarked to peer performance and/or other external frameworks as relevant
- represent a material improvement beyond a "Business as Usual" trajectory and are set in accordance with the market standards
- in line with science where relevant
- in line with the council's sustainability strategy and direction
- measurable and have at least three years, where feasible, of historical data
- providing benchmarking approaches, where applicable; and
- based on a predefined timeline.

Annual measurement of performance or progress against selected sustainability metrics will be undertaken unless more frequent measurement is deemed appropriate.

Where relevant, the council will specify in transaction documentation:

- how the SPT is aligned with goals/objectives under the Auckland Plan, Te Tāruke-ā-Tāwhiri and/or any other council plans deemed relevant
- how, including associated timelines, the council intends to achieve the SPT
- the verified baseline or science-based reference point selected for the SPT; and
- any key factors beyond the council's control that may affect achievement of the SPTs.

The council may elect to structure its Sustainability-Linked Debt with the assistance of one or more external party to confirm alignment with the market standards.

5.3. Instrument characteristics

The proceeds of the council's Sustainability-Linked Debt instruments will be used for general corporate purposes.

Any Sustainability-Linked Debt instruments the council may issue or manage will have a financial characteristic linked with the performance by the council of one or more SPTs. This may include premium and/or discount incentives or a donation payment to a third party (depending on the transaction), that are commensurate and meaningful relative to the council's original bond or loan structure, and will reflect market practice.

The magnitude of the pricing adjustment as well as the effective trigger event date(s) and any fall-back mechanisms in the case the SPTs cannot be calculated, will be clearly detailed in the relevant documentation for each transaction.



5.4. Reporting

Post issuance of any SLB, the council will keep up-to-date and make available to the council's website, at least annually (and at a date relevant for assessing the SPT performance leading to a potential adjustment of the financial and/or structural characteristics of the Sustainability-Linked Instrument) until the Sustainable Debt is repaid, the following information:

- the council's performance against each SPT for the duration of the SLB
- verification of the performance against the SPT (as outlined below)
- any other information enabling investors to monitor the level of ambition of the SPTs; and
- other requirements set out in the market standards.

Regarding SLLs and SLDs, at the inception of each transaction, the council and arranging banks will agree on time, frequency (at least annually), and format for reporting on its sustainability progress against the targets. The council will provide relevant information to its SLL and SLD lender(s) as stipulated in the relevant loan documentation.

5.5. Verification

To provide stakeholders with certainty that the council's Sustainability-Linked Debt instruments are structured and reported in alignment to the market standards, the council will seek external review of the following:

- **Prior to issuance:** Second party opinion that the Sustainability-Linked Instrument aligns to the SLLP or SLBP (as applicable), with such assessment covering the materiality of the selected KPIs, nature of the SPTs, credibility of the council's strategy to achieve the SPTs, and verification of baseline performance (as applicable).
- **Post issuance:** Ongoing assurance or verification (at least annually for sustainability-linked loans and sustainability-linked derivatives, and at a date relevant for assessing the SPT performance for sustainability-linked bonds) on the council's performance against the SPTs for each KPI. This may cover any material change to the KPI methodology or SPT calibration.

These reviews will be made available to lenders at a minimum for sustainability-linked loans and sustainability-linked derivatives and will be made publicly available for sustainability-linked bonds.



Appendix A – KPI and SPT

Additional information relating to the four KPI's that have been selected, and their corresponding targets that have been reviewed by Sustainalytics is provided below.

The threshold for the SPT's will be specified in the relevant documentation of the specific transaction as applicable. Factors that support and/ or might put at risk the achievement of the targets may be disclosed in the relevant documentation of any sustainability-linked debt instrument.

To date, KPI 1-3 have been used as part of a sustainability-linked loan structure.

KPI 1 – Diverse procurement

Long-term goal: The council has set a public target for 5 per cent of procurement influenceable spend with diverse suppliers from a baseline of 2.69 per cent as at June 2021.

Definition: The council's influenceable spend includes purchase order spend on contracts and spend not on contracts relating to goods and services categories where procurement can be expected to influence buying behaviour. This is limited to purchase order spend in council's Enterprise Resource Planning software solution, inclusive of Eke Panuku Development Auckland Limited, and Tātaki Auckland Unlimited Limited spend.

Rationale and materiality: The objective of the diverse procurement KPI is to support the growth of diverse suppliers, enable them to benefit from Auckland's economic success through increased opportunities, and consequently their impact on the communities in which they operate. Supplier diversity is a strategic and intentional business process for the council that proactively supports and enables businesses owned by minority groups and social enterprises to be engaged in supply chains and business opportunities. The group's **Auckland Plan 2050** (page 84) includes supporting the growth of Māori intergenerational wealth. One lever to support achievement is to enable Māori outcomes through procurement opportunities.

Contribution to UN SDGs:



SPT: Increase the annual proportion of procurement influenceable spend with identified or confirmed Māori or Pasifika-owned businesses or social enterprises to 6.00 per cent⁵ by FY2027 from a baseline of 2.69 per cent as at June 2021.

Historical performance:

Financial year	FY21	FY22	FY23	FY24
% of Procurement Influenceable Spend with Māori and/or Pasifika owned business or Social Enterprises.	2.69%	3.45%	4.0%	4.58%

⁵ The council achieved 4.58 per cent of influenceable procurement spend with diverse suppliers in FY24 and therefore, decided to set a more ambitious target of 6% as opposed to the council's public target of 5 per cent.

KPI 2 – Transition of bus fleet

Long-term goal: In 2020, a commitment was made that all new buses acquired into the Auckland Transport fleet from 2021 will be electric or hydrogen powered, and Auckland Transport have since accelerated the mission to have a zero-emission bus fleet by 2035 with an interim target of reaching 50 per cent electric or hydrogen powered bus fleet by 2030.

Definition: Low emission buses means either zero or low emission vehicles encompassing electric or green hydrogen technology, with zero tailpipe emissions.

Rationale and materiality: Auckland’s Climate Plan: Te Tāruke-ā-Tāwhiri calls for a 64 per cent reduction in gross transport emissions of Auckland by 2030, from 2016 levels. This SPT will encourage Auckland Transport to deliver low emission buses (LEBs) equivalent to 21.5 per cent of the total bus fleet by 2027 (290 LEBs), and will help continue establishing the required arrangements to, then, step the pace required to reach 50 per cent electric or hydrogen powered bus fleet by 2030.

Contribution to UN SDGs:



SPT: Increase the total number of operational low emission buses to 290 by FY2027.

Historical performance:

Financial year	FY21	FY22	FY23	FY24
Number of Operational Low Emissions Buses	33	37	77	180



KPI 3 – Emissions reduction

Long-term goal: The council has adopted Te Tāruke-ā-Tāwhiri: Auckland’s Climate Plan, which sets targets for the Auckland region of halving emissions by 2030, reaching net zero by 2050 and taking a precautionary approach to planning for change. The group (excluding POAL) has publicly committed to reduce its own scope 1 and 2 greenhouse gas emissions by 50 per cent by 2030 (from 2019) and achieve net zero emissions by 2050.

Definition: This indicator covers scope 1 and 2 operational GHG emissions only. The Auckland Council Group for the purpose of this indicator means the council and the CCOs inclusive of Auckland Transport, Eke Panuku Development Auckland Limited, Tātaki Auckland Unlimited Limited (formerly Auckland Unlimited Limited) and Tātaki Auckland Unlimited Trust (formerly Regional Facilities Auckland). Auckland Council Group for KPI 3 excludes Watercare and POAL as it is not a CCO and has set its own operational emission reduction targets.

Rationale and materiality: The group’s emissions represent ~1.27 per cent of Auckland’s total scope 1 and 2 emissions. Notwithstanding the relatively small proportion of emissions which directly relate to council and CCOs, as a government entity, council demonstrates leadership through a commitment to reduce the group’s emissions significantly, and subsequently to influence residents and the private sector.

Contribution to UN SDGs:



SPT 3: 33.4 per cent reduction of the group’s Scope 1 and 2 greenhouse gas emissions by FY27 (from a 2021 baseline and excluding Watercare and POAL).

Historical performance:

Financial year	FY19	FY21	FY22	FY23	FY24
Auckland Council Group’s (exc. Watercare and POAL) Scope 1 and 2 greenhouse gas emissions (tCO₂e)	41,327 (baseline)	38,451	28,398	26,197	24,603

KPI 4 – Native ngahere (forest) restoration

Long-term goal: In 2021, the council committed to plant 200 hectares of permanent native ngahere (forest) in Auckland Council regional parks by 2031.

Definition: Permanent New Zealand indigenous native ngahere (forests) are the ecosystem that would have historically occurred in the specified area.

Rationale and Materiality: Protecting and enhancing ecological health in regional parks contributes to regional aspirations in the Auckland Plan 2050, and to national goals set in Te Mana o te Taiao, the Aotearoa New Zealand Biodiversity Strategy 2020.

Regional parks host much of Auckland’s remaining, once widespread, native forest. The council owns 28 regional parks that cover 41,000 hectares of public open spaces.

Regional canopy cover is currently 18 per cent (2018 baseline) and a target has been set through the **Urban Ngahere Strategy** to increase canopy cover to 30 per cent across Auckland’s urban area, and at least 15 per cent in every local board area. This includes regional parks.

Benefits from delivering Auckland’s Urban Ngahere Strategy include:

- enhanced biodiversity
- water quality improvements
- climate change mitigation through sequestration
- increased resilience to extreme weather
- cultural benefits.

Contribution to UN SDGs:



SPT 4: Plant 200,000 native Ngahere stems annually between FY2025 and FY2027 in Auckland’s regional parks and reach more than 1 million native Ngahere stems planted by FY2027⁶.

Historical performance:

Financial year	FY22	FY23	FY24
Hectares planted	9.4	12.40	39.96
Number of Native Ngahere stems planted in each year	88,500	128,491	271,500 total – 130,000 funded by Auckland Council – 141,500 funded by NZ Transport Agency Waka Kotahi

