

Second-Party Opinion

New Zealand Sovereign Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the New Zealand Sovereign Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories¹ for the use of proceeds are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that the investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 9, 11, 12, 13, 14 and 15.



PROJECT EVALUATION AND SELECTION The New Zealand Treasury will conduct the initial evaluation and selection of potential eligible projects. The cross-agency Green Bond Committee will be responsible for the final endorsement of the eligible projects. The New Zealand Government has processes to identify and mitigate common environmental and social risks. This is in line with market practice.



MANAGEMENT OF PROCEEDS The New Zealand Treasury will be responsible for tracking, monitoring and allocation of proceeds through an internal tracking mechanism, under oversight of the Green Bond Committee. Pending allocation or reallocation, proceeds will be deposited as cash into an account with the Reserve Bank of New Zealand. The Treasury will ensure that an amount equivalent to the proceeds is fully allocated to eligible projects within two financial years following the financial year of issuance. The New Zealand Government confirmed that unallocated proceeds will not be invested in carbon-intensive assets. This is in line with market practice.



REPORTING The New Zealand Government will report annually on allocation of proceeds and corresponding impacts within two years from issuance and annually thereafter until full allocation, on its website. Allocation reporting may include a breakdown of net proceeds, allocated amounts and the remaining balance of unallocated proceeds. Impact reporting will include at least one performance indicator for each use of proceeds category. Sustainalytics views the New Zealand Government's allocation and impact reporting as aligned with market practice.

Evaluation Date	November 14, 2024
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Issuer Location	Wellington, New Zealand
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Report Sections

Introduction.....	2
Sustainalytics' Opinion	3

For inquiries, contact the Sustainable Corporate Solutions project team:

Sumaiya Waheed (Mumbai)
Project Manager
sumaiya.waheed@morningstar.com

Greg Thong (Sydney)
Client Relations
greg.thong@morningstar.com
(+61) 2 7254 2735 | (+61) 416 126 472

¹ Clean Transport; Energy Efficiency and Renewable Energy; Green Buildings; Living and Natural Resources and Land Use; Terrestrial and Aquatic Biodiversity; Climate Change Adaptation; Sustainable Water and Wastewater Management; and Pollution Prevention and Control.

Introduction

New Zealand is a country in the South Pacific Ocean with a population of 5.33 million and a GDP of USD 258 billion.^{2,3} New Zealand's capital is Wellington, and the country's key economic sectors are services, manufacturing and primary industries. New Zealand has been a member of the United Nations since 1945 and a member of the Commonwealth since 1931.^{4,5}

The New Zealand Government has developed the New Zealand Sovereign Green Bond Framework dated August 2022 (the "Framework"), under which it intends to issue green bonds and use the proceeds to finance and refinance, in whole or in part, existing and future government expenditures in the form of capital and operating expenditures and transfer payments to public or private entities (such as grants, loans, subsidies and contributions), including international transfers.⁶ The eligible projects are expected to facilitate the transition to a low-carbon economy in New Zealand, contribute to the climate-related, biodiversity conservation and environmental goals set out by the New Zealand Government and support developing countries that are vulnerable to climate-related risks and hazards in implementing climate adaptation measures.

The Framework defines eligibility criteria in the following areas:

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

The New Zealand Government engaged Sustainalytics to review the Framework and provide a Second-Party Opinion⁷ on the Framework's environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).⁸ The Framework has been published in a separate document.⁹

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent¹⁰ opinion on alignment of the Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.17.2, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with representatives of the New Zealand Government to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. New Zealand Government representatives have confirmed that: (1) they understand it is the sole responsibility of the New Zealand Government to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information; and (3) that any provided material

² Stats NZ Tauranga Aotearoa, "Population", at: <https://www.stats.govt.nz/topics/population>

³ International Monetary Fund, "New Zealand – Datasets", at: <https://www.imf.org/external/datamapper/profile/NZL>

⁴ United Nations, "UN Membership", at: <https://research.un.org/en/unmembers/founders>

⁵ Commonwealth, "New Zealand", at: <https://thecommonwealth.org/our-member-countries/new-zealand>

⁶ Sustainalytics notes that the New Zealand Government may finance transfers to private entities limited to projects that meet the eligibility criteria of the Framework.

⁷ This Second Party Opinion (SPO) updates the SPO on the New Zealand Sovereign Green Bond Framework dated August 2022, based on information received in October and November 2024.

⁸ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

⁹ The New Zealand Sovereign Green Bond Framework is available on Government's website at: <https://debtmanagement.treasury.govt.nz/resource/new-zealand-sovereign-green-bond-framework>

¹⁰ 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. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

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 it.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and the New Zealand Government.

Sustainalytics' Second-Party Opinion assesses alignment of the Framework with market standards but provides no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the issuer.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee their realized allocation towards eligible activities.

No information provided by Sustainalytics 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 or statements and related surrounding circumstances that the New Zealand Government has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the New Zealand Sovereign Green Bond Framework

Sustainalytics is of the opinion that the New Zealand Sovereign Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Clean Transport; Energy Efficiency and Renewable Energy; Green Buildings; Living and Natural Resources and Land Use; Terrestrial and Aquatic Biodiversity; Climate Change Adaptation; Sustainable Water and Wastewater Management; and Pollution Prevention and Control – are aligned with those recognized by the GBP.
 - The Framework establishes a one-year look-back period for refinancing activities, which Sustainalytics considers to be in line with market practice.
 - The New Zealand Government may finance transfers to public or private entities, including grants, loans, subsidies and contributions, for projects that fall within eligible categories under the Framework. These expenditures may include co-financing transactions for activities deemed eligible under the Framework. For the sake of avoiding double counting, any expenditures entirely financed by green instruments issued by Crown entities, Crown companies or local government shall be excluded under the Framework.¹¹ In the event of co-financed expenditures, only the Crown's portion of the expenditures shall be financed under the Framework.
 - Under the Clean Transport category, the New Zealand Government may finance or refinance expenditures that support the development and deployment of zero direct emissions vehicles or low-carbon vehicles including associated infrastructure, in accordance with the following criteria:
 - Zero emissions private passenger or light commercial vehicles.
 - Zero- or low-emission public transit and freight transportation, including: i) Zero-emissions vehicles or low-emissions private passenger and light commercial hybrid vehicles with a direct emissions threshold below 75 gCO₂/km, ii) public buses and trains with zero direct emissions or direct emissions below 50 gCO₂/pkm; and iii) freight rail and heavy trucks that have direct emissions lower than 25 gCO₂/tkm. The New Zealand Government has confirmed that the emission thresholds of the hybrids will be based on WLTP. Sustainalytics notes that the Framework excludes: i) freight trains carrying more than 25% of the total freight transported mass in fossil fuels; and ii) freight trucks and tank containers

¹¹ Crown entities are central government organizations defined by the Crown Entities Act 2004. New Zealand Legislation, "Crown Entities Act" (2004), at: <https://www.legislation.govt.nz/act/public/2004/0115/latest/DLM329641.html>

dedicated to transporting fossil fuels or fossil fuels blended with alternative fuels. Some of these expenditures may be co-funded through the Low Emissions Transport Fund (LETF).¹²

- Transportation infrastructure for low-carbon transport for road and personal mobility, including bus rapid transit infrastructure, such as dedicated bus lanes and stations; rail network infrastructure, such as the fully electric City Rail Link¹³ project; electric vehicle charging stations; and walking and cycling infrastructure that encourages a shift towards active mobility. The New Zealand Government has confirmed that infrastructure enabling low-carbon transport excludes: i) new construction and existing road infrastructure retrofits; ii) parking facilities; and iii) fossil fuel filling stations or other assets that prolong the life of the asset or facilitate the use of fossil fuel-powered transport.
 - Under marine transport, the Government has communicated to Sustainalytics that financing may include supporting technologies for electric ships such as electric outboard motors, as well as R&D towards low-carbon and electric ships. The Government may also finance hybrid ferries compliant with the EEOI/AER Decarbonisation Trajectories aligned with the Climate Bonds Initiative criteria for Shipping.¹⁴ Sustainalytics classifies the financing of ferries that are powered at least partially by fossil fuels as a transition activity, and recognizes that the New Zealand Government's criteria is based on Transition Pathway Initiative's below 2 °C decarbonization trajectory for the shipping sector.¹⁵ Sustainalytics recognizes that the financing of less emissions-intensive ferries contributes to a reduction in emissions compared to traditional ocean transport and will reduce the overall transportation-related emissions of New Zealand. The Government has confirmed that the cargo ships will not be used to transport cargo consisting of more than 25% of fossil fuel freight in mass.
 - Projects related to information communications technology (ICT) that improves asset utilization, modal shift and fleet management, such as the use of telematics. Investments may include those under the LETF, which supports the deployment of low-emission technologies, innovation and infrastructure in the transport sector.¹⁶ Sustainalytics recognizes that investments in ICT infrastructure support the optimization of transportation usage, duration, and distance. Such enhancements frequently lead to decreased fuel consumption and associated GHG emissions. The New Zealand Government has confirmed that the LETF will prioritize financing of projects that facilitate the use of zero emission vehicles.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Energy Efficiency and Renewable Energy category, the New Zealand Government may finance or refinance projects, components and technologies aimed at improving energy efficiency, reducing reliance on fossil fuels, industry emissions and energy use, in accordance with the following criteria:
 - Expenditures include the provision of co-financing via the New Zealand Government Investment in Decarbonising Industry (GIDI) Fund, which supports the decarbonization of business operations and industrial processes.¹⁷ Example technologies contemplated under the GIDI Fund

¹² The Low Emissions Transport Fund (LETF) is administered by the Energy Efficiency and Conservation Authority and provides co-funding support for the deployment and adoption of low-emission transport technology and infrastructure to decarbonize the New Zealand transport sector, at: <https://www.eeca.govt.nz/co-funding/transport-emission-reduction/low-emission-transport-fund>

¹³ The City Rail Link is a 3.45 km twin-tunnel underground fully electric rail link that would allow Auckland's rail network to at least double in capacity. City Rail Link, "Project Overview", at: <https://www.cityrailink.co.nz/>

¹⁴ Climate Bonds Initiative, "Shipping", at: <https://www.climatebonds.net/files/files/standards/Waterborne%20Transport%20%28Shipping%29/Broc%20CBI-Shipping%20Criteria%20Brochure%281%29.pdf>

¹⁵ Transition Pathway Initiative, "Shipping", at: <https://www.transitionpathwayinitiative.org/sectors/shipping>

¹⁶ The Low Emissions Transport Fund (LETF) is administered by the Energy Efficiency and Conservation Authority and provides co-funding support for the deployment and adoption of low-emission transport technology and infrastructure to decarbonize the New Zealand transport sector. New Zealand Government, Energy Efficiency and Conservation Authority, "Mobilising New Zealanders to be world leaders in clean and clever energy use", at: <https://www.eeca.govt.nz/co-funding/transport-emission-reduction/low-emission-transport-fund>

¹⁷ The Government Investment in Decarbonising Industry (GIDI) Fund is a partnership between the New Zealand Government and business to accelerate emissions reductions from process heat used in industry by supporting energy efficiency and fuel switching projects (e.g. from fossil fuels such as coal to biomass or electricity). The GIDI Fund focuses on helping business decarbonize their operations through upgrading or replacing processes to make them more energy efficient. The New Zealand Government communicated that the GIDI Fund was discontinued in December 2023, and expenditures would be limited to the existing projects financed under the Framework.

may include electric heat pumps, fuel switching to biofuel or renewable energy, and waste-heat recovery.

- The New Zealand Government has confirmed to Sustainalytics that financing under the GIDI Fund will exclude energy-efficient technologies designed or intended for processes that are inherently carbon intensive, or that are primarily driven or powered by fossil fuels, such as oil or gas-fired boilers, cogeneration and combined heat and power units, as well as production processes in industries that are heavy emitters.
- Under the Warmer Kiwi Homes programme,¹⁸ the New Zealand Government may finance:
 - Ceiling and underfloor insulation and energy-efficient heating in homes.
 - Subsidies for the installation of efficient wood pellet or log burners in individual households. Sustainalytics is of the opinion that any use of biomass must be certified to ensure sustainable sourcing of the feedstock. However, Sustainalytics notes that most of the feedstock used in New Zealand consists of wood pellets derived from wood processing residue. In addition, the New Zealand Government has communicated to Sustainalytics that New Zealand has national standards and policies to tackle overlogging issues, and that the major suppliers of wood pellets in the New Zealand market follow sustainable sourcing practices. Sustainalytics further notes that the responsibility for sustainable sourcing of wood pellets lies with individual households. In view of the above regulations and measures, which provide reasonable assurance of the sustainable sourcing of biomass feedstock, Sustainalytics expects such investments to drive positive environmental outcomes.
- Sustainalytics notes that the waste-heat recovery projects financed under this category will exclude applications in fossil fuel production and operations.
- Where heat pumps are considered, the New Zealand Government has confirmed that financing will be limited to electric heat pumps and will exclude absorption heat pumps driven by fossil fuels. Additionally, the New Zealand Government has confirmed that a refrigerant management system will be in place, as required by the Australia New Zealand Safety Standard AS/NZS 5149¹⁹ which outlines safety requirements for the design, construction, installation and inspection of refrigerating appliances and ancillary equipment intended for use in institutional, public assembly, residential, commercial and industrial applications.
- Sustainalytics considers these activities to be aligned with market practice.
- In terms of renewable energy projects, the New Zealand Government intends to finance:
 - Onshore and offshore solar projects, including solar panels for community meeting houses, and floating solar panels for power generation.
 - Onshore and offshore wind projects. The Government has confirmed that for offshore wind projects, fossil fuel backup will be limited to power monitoring, operating and maintenance equipment, as well as resilience or protection measures and restart capabilities.

New Zealand Government, Energy Efficiency and Conservation Authority, "GIDI Fund FAQs", at: <https://www.eeca.govt.nz/assets/EECA-Resources/Co-funding/GIDI-Process-Heat-Contestable-Fund-Round-4-FAQs.pdf>

¹⁸ The Warmer Kiwi Homes programme provides grants to eligible homes in New Zealand for ceiling and underfloor insulation as well as improved heaters.

New Zealand Government, Energy Efficiency and Conservation Authority, "Warmer Kiwi Homes", at: <https://www.eeca.govt.nz/co-funding/insulation-and-heater-grants/warmer-kiwi-homes-programme/>

¹⁹ Australian Government, "Australian New Zealand Standard AS / NZS ISO 5149.1:2016 Refrigerating Systems and Heat Pumps - Safety and Environmental Requirements - Definitions, Classification and Selection Criteria - Australian Government", at: <https://ablis.business.gov.au/service/ag/australian-new-zealand-standard-as-nzs-iso-5149-1-2016-refrigerating-systems-and-heat-pumps-safety-and-environmental-requirements-definitions-classification-and-selection-criteria/31397>

- Geothermal energy projects with direct emissions intensity below 100 gCO₂/kWh.
 - New pumped hydropower storage projects connected to renewables or to a grid supporting or integrating at least 90% renewable electricity. Sustainalytics notes that all new pumped hydropower storage projects will undergo environmental and social impact assessment by a credible body, which will occur as part of the feasibility stage or business case stage of an expenditure. Investment will be limited to those where significant risks or expected negative impacts are identified and avoided, remedied or mitigated.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Green Buildings category, the New Zealand Government intends to finance or refinance the construction and acquisition of non-residential government buildings and residential social housing developments that meet the following criteria:
 - New non-residential government buildings, such as hospitals, museum facilities and parliamentary buildings that have obtained or are expected to obtain a 5-star Green Star New Zealand Design & As Built²⁰ certification, with an additional NABERSNZ²¹ rating of 5 stars for office buildings, in line with the Carbon Neutral Government Programme.²²
 - New residential social housing properties that meet a minimum 6 Homestar rating.²³
 - The Government of New Zealand has confirmed that investments under this category exclude buildings supporting or designed for the purpose of extraction, storage or manufacture of fossil fuels.
 - Sustainalytics views the expenditures under this category to be aligned with market practice.
 - Under the Living and Natural Resources and Land Use category, the New Zealand Government may finance or refinance projects that support sustainable agriculture, forestry, land restoration, nature-based solutions and transition to low-emission land uses and systems, in accordance with the following criteria:
 - Projects aimed at improving sustainability, reducing emissions and limiting the use of synthetic fertilizers and nutrient leaching in sectors such as aquaculture, fisheries and agriculture, including:
 - Investments related to sustainable agriculture under the Sustainable Food and Fibre Futures (SFFF) Fund,²⁴ which is aimed at supporting innovation in the food and fibre sector and the shift towards more sustainable agricultural production through R&D and manufacturing or production activities. Sustainalytics notes the following:
 - The SFFF Fund applies to a wide range of projects, including alternative protein aimed at developing the leaf protein industry, regenerative farming practices and animal husbandry. Upon successful application to the SFFF Fund, the New Zealand Government will assess projects across 31 different output categories²⁵ and has communicated to Sustainalytics that financing will be limited to expenditures that contribute to 11 of these categories,²⁶ which are expected to contribute towards positive environmental impacts such as GHG emissions reduction, improved soil and water quality, the reduction of soil erosion and chemical usage, as well as the conservation of threatened marine species.

²⁰ Green Star New Zealand Design & As Built, at: <https://nzgbc.org.nz/green-star-design-and-as-built>

²¹ NABERSNZ, at: <https://www.nabersnz.govt.nz/about-nabersnz/>

²² New Zealand Government, Ministry for the Environment, "Carbon Neutral Government Programme" at: <https://environment.govt.nz/what-government-is-doing/areas-of-work/climate-change/carbon-neutral-government-programme/>

²³ NZGBC, Homestar at: <https://www.nzgbc.org.nz/homestar>

²⁴ Sustainable Food and Fibre Futures, at: <https://www.mpi.govt.nz/funding-rural-support/sustainable-food-fibre-futures/>

²⁵ The output categories represent the various impacts that projects under the SFF Futures Fund are expected to contribute to.

²⁶ The categories include: (1) Climate change mitigation and prevention, (2) Higher value/lower impact land use, (3) Improved soil quality, (4) Improved waste management, (5) Improved water quality, (6) Managing and coping effectively with the impact of climate change, (7) More efficient water use, (8) Reduced chemical usage where it damages the environment, (9) Reduced emissions, (10) Reduced erosion, (11) Sustainable fish stocks.

- The New Zealand Government has also confirmed that agriculture projects will exclude genetic modifications and for R&D projects involving synthetic fertilizers, the focus will be on reducing the use of synthetic fertilizers.
- Additionally, the New Zealand Government has confirmed the exclusion of projects related to industrial-scale livestock management of ruminants and exclusion of investments under the fund themes of “Meat” and “Animal health and welfare” except where projects involve R&D supporting the reduction of methane emissions from animal husbandry and dairy production and improving the sustainability of wool production.
- Sustainalytics considers financing of the above projects to be in line with market practices.
- Forestry projects that may include the establishment of native forests, scaling up native seedling production using technology and R&D projects that facilitate innovation in seed collection, propagation and forest establishment.
 - The New Zealand Government may finance commercial forestry intended to support the supply of woody biomass in New Zealand by planting 10,000 hectares of short-rotation forests²⁷ and conducting targeted research and development on novel forestry management methods. Sustainalytics notes that the commercial forestry project does not rely on third-party certification schemes and will follow the National Environmental Standards for Plantation Forestry (NESPF),²⁸ which is guided by New Zealand’s Resource Management Act (see Section 2) and includes regulations to manage any adverse effects of the financed activities on the surrounding areas throughout the plantation forestry life cycle. Where the removal of indigenous vegetation is permitted, Sustainalytics notes that the NESPF lacks guidelines for protecting of high conservation value areas or significant natural areas, particularly for rare, threatened or endangered indigenous fauna. However, Sustainalytics acknowledges that the 2020 New Zealand Biodiversity Strategy,²⁹ the 2022 Implementation Plan³⁰ and the existing laws and regulations³¹ provide significant protection for natural areas. Considering the above measures which provide reasonable assurance of the protection of natural areas and areas with high conservation value, Sustainalytics considers financing of commercial forestry projects to be in line with market practice.
- Investments supporting nature-based solutions may include a research programme aimed at facilitating the identification of forest sequestration rates that will better inform the Government’s tree planting and afforestation programmes, as well as a programmes designed to increase the longevity of harvested wood products and the associated storage of carbon. Sustainalytics considers the New Zealand Government’s financing in support of nature-based solutions to be aligned with market practice.
- Under the Terrestrial and Aquatic Biodiversity category, the New Zealand Government may finance or refinance the following activities:
 - Projects related to restoration and protection of freshwater ecosystems, through investments in Freshwater Improvement Fund³² projects, which support environmental improvements to lakes, rivers, streams, groundwater and wetlands

²⁷ Short Rotation Forestry is a sustainable silvicultural practice that involves cultivating high-density plantations of fast-growing tree species to produce woody biomass within a rotation period of less than 30 years.

Christersson, L, and Verma, K. (2006), “Short-rotation forestry – a complement to “conventional” forestry”, FAO, at: <https://www.fao.org/4/A0532e/A0532e07.pdf>

²⁸ New Zealand Legislation, “Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017”, at: <https://www.legislation.govt.nz/regulation/public/2017/0174/latest/whole.html>

²⁹ New Zealand Government, Department of Conservation, “New Zealand Biodiversity Action Plan”, at: <https://www.cbd.int/doc/world/nz/nz-nbsap-v2-en.pdf>

³⁰New Zealand Government, Department of Conservation, “Te Mana o Te Taiao implementation plan”, at:

<https://www.doc.govt.nz/nature/biodiversity/aotearoa-new-zealand-biodiversity-strategy/te-mana-o-te-taiao-implementation-plan/>

³¹ Laws and regulations include: Forest Act 1949, Conservation Act 1987, Reserves Act 1977, Native Plants Protection Act 1934, Wildlife Act 1953 and Resource Management Act 1991.

³² New Zealand Government, Ministry for the Environment, “Freshwater Improvement Fund”, at: <https://environment.govt.nz/what-you-cando/funding/freshwater-improvement-fund/>

in New Zealand. The Fund particularly investigates areas of wetland construction and restoration, estuary protection, carbon sequestration through the planting of riparian buffer zones, habitat improvement, restoration of ecological corridors including fish passage and reduction of sediment eroding from the land. The New Zealand Government has confirmed to Sustainalytics that projects will be selected on the basis of an assessment that covers the project details (the project demonstrates a high likelihood of success based on sound technical information or examples of success achieved through comparable projects), project outcomes (including the management of vulnerable waterbodies and environmental benefits) and project delivery (including project costs and co-funding, partnerships and collaboration and capability to successfully deliver the project). Sustainalytics considers these expenditures for conservation efforts to be in line with market practice.

- Projects related to the restoration and protection of New Zealand’s natural environment, including the indigenous flora, such as the Wilding Conifer Control Programme,³³ which aims to protect native biodiversity, water and farmland from invasive wilding conifers. The programme uses various methods to control invasive wilding conifers, such as: i) hand-pulling or sawing young seedlings; ii) sawing or chain sawing medium to large trees; and iii) the use of herbicides that are either injected directly into the tree or bark or aerially sprayed over large areas via the Aerial Basal Bark Application method³⁴ and Aerial Foliar Spray Application method.³⁵ Sustainalytics notes that the New Zealand Government has risk mitigation policies associated with the application of herbicides to non-targeted species and areas. These include specific guidelines for helicopter operations to minimize spray drift and facilitate the accurate and precise application of the herbicide as well as guidelines to minimize risk of water contamination through appropriate nozzle selection and use of no spray buffers. Sustainalytics recognizes the importance of conserving indigenous flora while also noting that, although targeted application helps limit broader ecological impact, there remains some risk to soil health and non-target species. In this regard, the New Zealand Government has confirmed that the Department of Conservation (DOC) will use 'methods of least disturbance', and will manage planning, consultation, along with handling, application, and disposal processes with the aim to assess, minimize, and manage environmental risks effectively through a comprehensive management plan.
- Projects relating to protecting and restoring New Zealand’s terrestrial biodiversity. Such projects will include management of invasive weeds, restoring habitats for native species and monitoring threatened species. This programme uses various methods to control invasive weeds, such as: i) shading, hand weeding, ring barking, grubbing, felling and mulching; and ii) the use of herbicides. The New Zealand Government has confirmed that the hunting, trapping, poisoning and culling of vertebrate animals considered as pests will be excluded. Sustainalytics recognizes the benefits of interventions to protect biodiversity while also noting the importance of measures to mitigate potential risk associated with some aspects of the programs to be financed. In this regard the New Zealand Government has confirmed that:
 - The tree species used for afforestation, reforestation or restoration purposes will be well adapted to the local site conditions, and any expenditures aimed at biodiversity conservation and restoration will have stringent and robust management plans to mitigate potential negative environmental and social impacts.
 - The New Zealand Government has confirmed that the DOC will use 'methods of least disturbance' and consider herbicide selection factors – such as targeted plant impact, dosage application, soil persistence, entry

³³ New Zealand Government, Ministry for Primary Industries, “Wilding conifer control in NZ”, at: <https://www.mpi.govt.nz/biosecurity/exotic-pests-and-diseases-in-new-zealand/long-term-biosecurity-management-programmes/wilding-conifers/#:~:text=The%20National%20Wilding%20Conifer%20Control%20Programme%20aims%20to%20prevent%20the,the%20framework%20for%20this%20programme>

³⁴ New Zealand Government, National Wilding Conifer Control Programme, “Aerial Basal Bark Application (ABBA) Version 2”, at: <https://www.wildingpines.nz/assets/Documents/Wilding-Conifers-Good-Practice-ABBA-May-2023-V2.pdf>

³⁵ New Zealand Government, National Wilding Conifer Control Programme, “Aerial Foliar Spray Application (AFSA) Version 4”, at: <https://www.wildingpines.nz/assets/Documents/Wilding-Conifers-Good-Practice-AFSA-May-2023.pdf>

- points, safety and minimal dose rates of synthetic herbicides – to protect native species and ecosystems, minimize ecological harm, and mitigate potential risks.
- Projects related to protecting threatened marine species, including Hector and Māui dolphins,³⁶ which Sustainalytics considers to be in line with market practice.
- Under the Climate Change Adaptation category, the New Zealand Government may finance, or refinance projects intended to increase the resilience of infrastructure to the impacts of climate change, help regional communities and Māori to make better risk-informed decisions to prepare for and respond to climate change and climate-related disasters, and support other climate risk-prone countries to enhance their resilience to climate change. The New Zealand Government has confirmed that business-as-usual renovations and retrofits will be excluded. The eligible expenditures include:
- Hill Country Erosion Programme,³⁷ including activities such as planting trees well adapted to the local site conditions and restoring erosion-prone land to native vegetation cover, aimed at mitigating soil erosion in the region. Sustainalytics considers financing of the above projects to be in line with market practice.
 - Investments related to flood resilience such as local flood protection, flood defence or resilience projects, stop banks or embankments, and mitigation and control schemes under the Infrastructure Reference Group’s Climate Resilience Projects.³⁸ The New Zealand Government has confirmed to Sustainalytics that the financed projects on climate adaptation are in line with the risks and opportunities outlined in the National Climate Change Risk Assessment³⁹ and the National Adaptation Plan.⁴⁰ The New Zealand Government may also refinance existing eligible projects under the Infrastructure Reference Group based on a vulnerability assessment and adaptation plan. The Government has confirmed that the projects will have hazard management plans (HMPs) developed by the local councils to identify and manage risk, gather technical information, and assess and propose measures as per the PARA framework (protect, adapt, retreat, accommodate). This is aligned with market practice.
 - Investments supporting developing countries to enhance their resilience to climate change which includes:
 - Pacific Water Security Programme, which enhances resilience to climate change in Pacific countries by reducing water scarcity, under which expenditures will be limited to addressing water scarcity, averting water-related emergency activity, and building resilient system activity such as monitoring and warning systems.⁴¹
 - Projects aimed at enhancing climate resilience in countries prone to climate risk, in line with national adaptation plans or equivalent, such as management of water resources and construction, repair and maintenance of emergency shelters. The Government has confirmed that activities solely focused on economic efficiency or recovery rather than environmental sustainability or conservation will be excluded.
 - The Government has confirmed to Sustainalytics that the above projects will be financed in areas vulnerable to climate change risks and hazards, based on the countries’ national adaptation plans and the modified Notre Dame Global Adaptation Index (ND-GAIN) resilience assessments.⁴² This is aligned with market practice.

³⁶ New Zealand Government, Department of Conservation, “Protecting marine species”, at:

<https://www.doc.govt.nz/our-work/protecting-species/protecting-marine-species/>

³⁷ New Zealand Forest Service, Hill Country Erosion Programme, at: <https://www.mpi.govt.nz/forestry/funding-tree-planting-research/hill-countryerosion-programme/>

³⁸ New Zealand Government, Crown Infrastructure Partners, “Infrastructure Reference Group”, at: <https://www.crowninfrastructure.govt.nz/irg/>

³⁹ New Zealand Government, Ministry for the Environment, “First national climate change risk assessment for New Zealand”, at:

<https://environment.govt.nz/what-government-is-doing/areas-of-work/climate-change/adapting-to-climate-change/first-national-climate-change-riskassessment-for-new-zealand/>

⁴⁰ New Zealand Government, Ministry for the Environment, “First National Adaptation Plan”, at:

<https://environment.govt.nz/assets/publications/climate-change/MFE-AoG-20664-GF-National-Adaptation-Plan-2022-WEB.pdf>

⁴¹ New Zealand Foreign Affairs & Trade, “Climate Change Programme case studies”, at: <https://www.mfat.govt.nz/en/environment/climate-change/supporting-our-region/the-climate-change-programme/climate-change-programme-case-studies/>

⁴² ND-GAIN is an international resilience assessment that publishes comparative rankings on country assessments, at: <https://gain-new.crc.nd.edu/>. The Government has developed a modified ND-GAIN resilience assessment to incorporate the missing data in the ND-GAIN assessment for New Zealand’s Realm countries.

- Monitoring and forecasting through climate projection data tools and climate adaptation information portals to provide climate data and information to enable end users to appropriately measure climate change risks. This is aligned with market practice.
- Under the Sustainable Water and Wastewater Management category, the Government may finance or refinance projects to improve infrastructure for drinking water, wastewater and stormwater, and to support sustainable water storage facilities and schemes. Intended project examples include funding to regional and local authorities to invest in improvements to drinking water, wastewater, and stormwater infrastructure. Eligible wastewater treatment facilities will be regional facilities that treat water mainly from households. Additional expenditures may include those that fall under the Provincial Growth Fund,⁴³ such as water storage, irrigation infrastructure and water assessment projects to improve the resilience of New Zealand's regions to drought and water shortages. The Government has confirmed to Sustainalytics that the irrigation infrastructure will be water-efficient and may include drip, micro-spray or sprinkler irrigation systems.
 - Additionally, the New Zealand Government has confirmed the following exclusions under this category: i) treatment of wastewater from fossil fuel operations and applications; ii) installation of equipment and methods dependent on fossil fuels; iii) systems and treatment facilities dedicated to controversial activities having harmful social or environmental impacts, such as industrial-scale livestock; and iv) investments in hard-to-abate industries.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Pollution Prevention and Control category, the New Zealand Government may finance or refinance projects that minimize waste through prevention, reduction, reuse, recycling and recovery of waste. The New Zealand Government may also finance projects to remediate and restore contaminated land. Examples of intended projects include:
 - Waste minimization, recycling and resource recovery initiatives that support waste minimization. Equipment and infrastructure include optical sorting equipment and a resource recovery park that enables sorting, bulking and recovery of construction and demolition waste and other materials for recycling, including food, wood, green waste,⁴⁴ concrete and metals and paper or cardboards. The New Zealand Government has confirmed to Sustainalytics that activities under this expenditure will support source segregation.
 - The Contaminated Sites Remediation Fund, which provides local authorities with funding to remediate contaminated sites that pose a risk to human health and the environment. The New Zealand Government has confirmed to Sustainalytics that projects that fund applicants responsible for the contamination of the land will be excluded from financing under the Framework.
 - Regarding e-waste management, the New Zealand Government is committed to financing only projects where the recycling company has established a robust waste management process to mitigate risks associated with e-waste recycling.
 - Projects for plastic recycling will be limited to mechanical recycling.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- The New Zealand Government has an exclusion list preventing the financing of the exploration and production of fossil fuels, nuclear energy, arms and chemical weapons manufacturing, manufacture and production of tobacco and recreational cannabis, gambling, and processing of whale meat.⁴⁵
- Project Evaluation and Selection:
 - The New Zealand Government has established a cross-agency Green Bond Committee (GBC), which is chaired by the Treasury and includes representatives from; New Zealand Debt Management; Ministry for the Environment; Ministry of Transport; Waka Kotahi New Zealand Transport Agency; Ministry of Business, Innovation and Employment; Ministry for Primary Industries; Department of Conservation; and an independent member with relevant skills and experience. The Treasury will conduct the initial evaluation and selection of potential eligible

⁴³ New Zealand Government, Regional Economic Development & Investment Unit, "The Provincial Growth Fund", at: <https://www.growregions.govt.nz/established-funds/what-we-have-funded/the-provincial-growth-fund/>

⁴⁴ The New Zealand Government defines green waste as degradable plant materials such as tree branches, leaves, grass and other vegetation matter.

⁴⁵ Based on the New Zealand Sovereign Green Bond Framework.

- projects based on the eligible criteria, with the GBC responsible for the final endorsement of the eligible projects.
- The Treasury incorporates environmental and social risk management as part of the initial evaluation and selection process for potential eligible projects. The Treasury will engage with relevant government agencies to assess the projects' significant risks and risk management practices. In addition, large-scale projects are required to undertake a risk profile assessment.
 - Based on cross-agency oversight for project selection and presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
- The New Zealand Treasury will be responsible for tracking, monitoring and allocation of proceeds and will periodically review and adjust the balance of total green bond proceeds allocated to eligible projects, using an internal tracking mechanism. The GBC will be responsible for oversight of the management of the green bond proceeds.
 - Pending allocation or reallocation, the proceeds will be deposited as cash into an account with the Reserve Bank of New Zealand (RBNZ). The Treasury will ensure that an amount equivalent to the proceeds is earmarked and fully allocated to eligible projects within two financial years from the financial year of issuance. The New Zealand Government confirmed that unallocated proceeds will not be invested in carbon-intensive assets.
 - Based on the use of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
- The New Zealand Government will report on allocation of proceeds annually and the corresponding impact, within two years from issuance and annually thereafter, until full allocation on its website, as part of its Allocation Report.
 - Allocation reporting will include information about the total net green bond proceeds; an overview of the allocated green bond(s) to the eligible categories and, where appropriate and possible, to green objectives and specific expenditures; the balance of unallocated proceeds; and any material political, legal, climate-related, environmental and social risks related to eligible expenditures, including actions taken. Furthermore, the New Zealand Government intends to engage a third party to provide external verification on the annual allocation report.
 - Impact reporting, where feasible, may include case studies detailing the impacts of expenditures and relevant impact metrics, such as annual GHG emissions reduced or avoided (in tCO₂e), renewable energy capacity installed (in MW), area of land, freshwater and wetlands under restoration or receiving treatment (in ha), number of flood defences reinforced, number of water assets receiving investment; and number of new waste facilities established.
 - Based on the commitments to report on allocation and impact of projects financed, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the New Zealand Sovereign Green Bond Framework aligns with the four core components of the GBP.

Section 2: Sustainability Strategy of the New Zealand Government

Contribution to the New Zealand Government's sustainability strategy

The New Zealand Government's 2022-2025 sustainability strategy focuses on reducing emissions in line with the 1.5°C pathway, minimizing environmental impacts and strengthening diversity, inclusion and empowerment of people.⁴⁶ The sustainability strategy is based on a variety of plans and programmes that target specific sectors and areas of focus. Those which are particularly relevant to the Framework include

⁴⁶ New Zealand Government, Ministry for the Environment, "Our Sustainability", (2022), at: <https://environment.govt.nz/about-us/our-sustainability/>

the Emissions Reduction Plan,⁴⁷ Carbon Neutral Government Programme,⁴⁸ National Adaptation Plan⁴⁹ and Aotearoa New Zealand Biodiversity Strategy 2020.⁵⁰

New Zealand ratified the Paris Agreement in 2016 and as part of its updated 2021 Nationally Determined Contribution (NDC) committed to reducing its net emissions by 50% below gross 2005 emissions levels by 2030, with a provisional emissions budget of 571 MtCO₂e over the period 2021 to 2030.⁵¹ In 2019, the Climate Change Response (Zero Carbon) Amendment Act set out a framework for developing and implementing climate change policies for the country to achieve the net zero GHG emissions target by 2050.⁵² The target excludes biogenic methane emissions, which accounted for approximately 40% of New Zealand's total GHG emissions in 2020,⁵³ for which the New Zealand Government has established an independent reduction target of 24-47% by 2050, relative to 2017 levels.⁵⁴

To achieve its emissions reduction targets, the New Zealand Government introduced its first Emissions Reduction Plan (ERP1) in 2022, setting a target of 290 MtCO₂e for 2022-2025.⁵⁵ The ERP1 outlines five key strategies for transitioning to a low-carbon economy: i) implementing emissions pricing to incentivize pollution reduction and investment in clean technologies; ii) establishing a sustainable finance system to support the transition; iii) developing infrastructure to accelerate change in cities, towns and industries; iv) reshaping research with Climate Innovation Platforms for transformative advancements; and v) investing in the circular and bio-economy to boost renewable resource use and bioenergy adoption.⁵⁶ The ERP1 also targets emissions-intensive sectors such as transport, energy and agriculture, with more than 300 measures to reduce emissions, including boosting electric vehicle access, phasing out fossil fuels and increasing the use of renewable materials in construction.⁵⁷ The New Zealand Government intends to publish the second Emissions Reduction Plan (ERP2) for 2026-2030 by the end of 2024, with a focus on initiatives such as: i) boosting renewable energy use through the Electrify NZ Plan⁵⁸ by streamlining consenting processes; ii) expanding public EV charging infrastructure to 10,000 stations by 2030; iii) reducing agricultural emissions with tools and fair on-farm pricing; iv) investing in resource recovery via the Waste Minimisation Fund;⁵⁹ v) enhancing organic waste and landfill gas capture; vi) improving public transport; and vii) exploring carbon capture, utilization and storage technologies.⁶⁰

In addition, the New Zealand Government released its first National Adaptation Plan for 2022-2028 to address the current and projected impacts of climate change on communities, infrastructure and key economic sectors.⁶¹ The plan focuses on three key areas: i) advancing climate-resilient development in locations most at risk; ii) providing information that enables communities, businesses and individuals to assess and reduce their own climate risks; and iii) integrating climate resilience across government strategies and policies.⁶² With regard to combating biodiversity loss and ecosystem degradation, the Department of Conservation has launched the Aotearoa New Zealand Biodiversity Strategy 2020, in line with the UN Convention on Biological Diversity, providing a strategic framework for the protection, restoration and sustainable use of biodiversity in New Zealand until 2050.⁶³ The strategy outlines five outcomes for 2050, including ensuring that ecosystems, indigenous species and their habitats are

⁴⁷ New Zealand Government, Ministry for the Environment, "About the Emissions Reduction Plan", at: <https://environment.govt.nz/what-government-is-doing/areas-of-work/climate-change/emissions-reductions/erp/>

⁴⁸ New Zealand Government, Ministry for the Environment, "Carbon Neutral Government Programme", at: <https://environment.govt.nz/what-government-is-doing/areas-of-work/climate-change/carbon-neutral-government-programme/>

⁴⁹ New Zealand Government, Ministry for the Environment, "Adapt and thrive: Building a climate-resilient New Zealand – New Zealand's first national adaptation plan", (2022), at: <https://environment.govt.nz/publications/aotearoa-new-zealands-first-national-adaptation-plan/>

⁵⁰ New Zealand Government, Department of Conservation, "Te Mana o te Taiao Aotearoa New Zealand Biodiversity Strategy 2020", at: <https://www.doc.govt.nz/globalassets/documents/conservation/biodiversity/anzbs-2020.pdf>

⁵¹ UNFCCC, "NEW ZEALAND Submission under the Paris Agreement New Zealand's first Nationally Determined Contribution", at: <https://unfccc.int/sites/default/files/NDC/2022-06/New%20Zealand%20NDC%20November%202021.pdf>

⁵² New Zealand Legislation, "Climate Change Response (Zero Carbon) Amendment Act 2019", at: <https://www.legislation.govt.nz/act/public/2019/0061/latest/LMS183736.html>

⁵³ New Zealand Ministry of Foreign Affairs and Trade, "Aotearoa New Zealand's Methane Emissions Reduction Action Plan", at: <https://www.mfat.govt.nz/assets/Climate-Change-Programme-images/Aotearoa-New-Zealands-Methane-Emissions-Reduction-Plan-Summary-Version.pdf>

⁵⁴ New Zealand Legislation, "Climate Change Response (Zero Carbon) Amendment Act 2019", at: <https://www.legislation.govt.nz/act/public/2019/0061/latest/LMS183736.html>

⁵⁵ New Zealand Government, "AOTEAROA NEW ZEALAND'S FIRST EMISSIONS REDUCTION PLAN", at: <https://environment.govt.nz/assets/publications/Aotearoa-New-Zealands-first-emissions-reduction-plan.pdf>

⁵⁶ Ibid.

⁵⁷ Ibid.

⁵⁸ New Zealand Government, "Next steps on Electrifying New Zealand", at: <https://www.beehive.govt.nz/release/next-steps-electrifying-new-zealand>

⁵⁹ New Zealand Government, Ministry for the Environment, "Waste Minimisation Fund", (2024) at: <https://environment.govt.nz/what-you-can-do/funding/waste-minimisation-fund/>

⁶⁰ New Zealand Government, Ministry for the Environment, "New Zealand's second emissions reduction plan", (2024) at: <https://consult.environment.govt.nz/climate/second-emissions-reduction-plan/>

⁶¹ New Zealand Government, Ministry for the Environment, "Adapt and thrive: Building a climate-resilient New Zealand – New Zealand's first national adaptation plan", (2022), at: <https://environment.govt.nz/publications/aotearoa-new-zealands-first-national-adaptation-plan/>

⁶² Ibid.

⁶³ New Zealand Government, Department of Conservation, "Te Mana o te Taiao Aotearoa New Zealand Biodiversity Strategy 2020", at: <https://www.doc.govt.nz/globalassets/documents/conservation/biodiversity/anzbs-2020.pdf>

thriving, and people's lives through connection with nature are enriched.⁶⁴ Moreover, in 2023, the Ministry for the Environment introduced the National Policy Statement for Indigenous Biodiversity, which provides direction for councils to protect, maintain and restore terrestrial indigenous biodiversity, requiring at a minimum no further reduction of species, ecosystems and habitats at the national level.⁶⁵

Further, to support New Zealand's climate and environmental objectives, government agencies committed a total of NZD 3.6 billion (USD 2.2 billion) for environmental protection and resource management in the 2023-24 fiscal year.⁶⁶ Of this amount, NZD 840 million (USD 505 million) was dedicated to reducing GHG emissions and NZD 55 million (USD 33 million) was earmarked for climate adaptation. An additional NZD 875 million (USD 526 million) was directed towards enhancing biodiversity and ecosystems, while NZD 666 million (USD 400 million) was allocated to improving land and freshwater, including the management of resources.⁶⁷ Additionally, the New Zealand Government has committed NZD 1.3 billion (USD 0.78 billion) in climate finance for 2022-2025 to support developing countries to reduce GHG emissions and protect lives, livelihoods and infrastructure from the impacts of climate change.⁶⁸

In view of the above, Sustainalytics is of the opinion that the New Zealand Sovereign Green Bond Framework is aligned with the New Zealand Government's overall sustainability strategy and initiatives and will further the actions on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that proceeds from the instruments issued under the Framework will be directed toward eligible projects that are expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include land use and biodiversity issues associated with large-scale infrastructure development, effluents and waste generated in construction, occupational health and safety, human and labour rights issues, risks related to bribery and corruption, and community relations and stakeholder participation.

Sustainalytics is of the opinion that the New Zealand Government can manage and mitigate potential risks through implementation of the following:

- To manage land use and biodiversity issues associated with large-scale infrastructure development, New Zealand's Resource Management Act 1991 (RMA) outlines the framework to avoid, remedy or mitigate any adverse effects of activities on the environment.⁶⁹ The act sets out a series of duties and restrictions relating to the use of and activities allowed on land, coastal marine areas, river and lake beds, as well as regulations relating to environmental pollution control, including land, water, soil, noise and air pollution. As a signatory to the Convention on Biological Diversity (CBD), New Zealand established the Biodiversity Strategy 2020 and a 2022 implementation plan, setting a long-term commitment to protecting biodiversity and 18 national targets and key actions mapped to the relevant Aichi Biodiversity Targets.⁷⁰ Additionally, New Zealand's National Policy Statement for Indigenous Biodiversity outlines requirements for regional councils to identify adverse effects of new activities on significant natural areas and have a regional biodiversity strategy to prioritize restoration of indigenous biodiversity and indigenous vegetation cover.⁷¹ In addition, the following laws apply to the conservation of natural resources, wildlife including endangered species and biodiversity landscapes: Wildlife Act 1953,⁷² Native Plants Protection Act 1934,⁷³ Forest and Rural Fires Act 1977.⁷⁴

⁶⁴ Ibid.

⁶⁵ New Zealand Government, Ministry for the Environment, "National Policy Statement for Indigenous Biodiversity", at: <https://environment.govt.nz/publications/national-policy-statement-for-indigenous-biodiversity/>

⁶⁶ New Zealand Parliament, Parliamentary Commissioner for the Environment, "Government to spend \$ 3.6 billion on environment in 2023/24 fiscal year", (2024), at: <https://pce.parliament.nz/our-work/news/govt-to-spend-36-billion-on-environment-in-2023-24-fiscal-year/#:~:text=This%20compares%20to%20243.5%20billion,and%20adapting%20to%20climate%20change.>

⁶⁷ Ibid.

⁶⁸ New Zealand Ministry of Foreign Affairs and Trade, "Aotearoa New Zealand International Climate Finance Strategy", at: <https://www.beehive.govt.nz/sites/default/files/2022-08/International%20Climate%20Finance%20Strategy%20-%20low%20res.pdf>

⁶⁹ New Zealand Legislation, "Resource Management Act 1991", at:

https://www.legislation.govt.nz/act/public/1991/0069/latest/DLM230265.html?search=ts_act_environment+act+1986_resele_25_a&p=1#DLM231904

⁷⁰ New Zealand Government, Department of Conservation, "Te Mana o te Taiao – Aotearoa New Zealand Biodiversity Strategy", at: <https://www.doc.govt.nz/nature/biodiversity/aotearoa-new-zealand-biodiversity-strategy/>

⁷¹ New Zealand Government, Ministry for the Environment, "National Policy Statement for Indigenous Biodiversity", at: <https://environment.govt.nz/acts-and-regulations/national-policy-statements/national-policy-statement-for-indigenous-biodiversity/>

⁷² New Zealand Legislation, "Wildlife Act 1953", at: <https://www.legislation.govt.nz/act/public/1953/0031/latest/whole.html>

⁷³ New Zealand Legislation, "Native Plants Protection Act 1934", at:

<https://www.legislation.govt.nz/act/public/1934/0015/latest/DLM216757.html#:~:text=Subject%20to%20the%20provisions%20of,land%2C%20takes%20any%20protected%20native>

⁷⁴ New Zealand Legislation, "Forest and Rural Fires Act 1977", at:

<https://www.legislation.govt.nz/act/public/1977/0052/latest/whole.html#DLM443237>

- Regarding the management of effluents and waste generated in construction, New Zealand's RMA prohibits the discharge of contaminants and hazardous substances into the environment and places restrictions on the dumping and incineration of waste in coastal marine areas without consent or a permit. Anyone proposing an action requiring consent must conduct an impact assessment of the effects of that proposal and demonstrate that all adverse impacts on the environment are identified with appropriate mitigation measures developed.⁷⁵
- To mitigate risks related to occupational health and safety, New Zealand's Health and Safety at Work Act (2015), which came into effect in 2016, outlines the roles, responsibilities and duties of employers, officers and workers for ensuring health, safety and welfare at the workplace. The Act stipulates 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.⁷⁶
- Regarding human and labour rights issues, the Human Rights Act 1993⁷⁷ prohibits discrimination on the grounds of religious and ethical belief, sex, marital status, race, colour, age, disability, employment or family status, ethnic or national origins, education, access to public places, provision of goods and services, housing and accommodation. Also, the New Zealand Bill of Rights Act 1990⁷⁸ sets out a range of civil and political rights including the right to freedom of expression, religious belief, freedom of movement, and the right to be free from discrimination. Furthermore, in the areas of labour rights, modern slavery, forced labour, child labour, people smuggling and trafficking, New Zealand is a signatory to international conventions such as the ILO Convention concerning Forced or Compulsory Labour 1930,⁷⁹ ILO Protocol of 2014 to the Forced Labour Convention,⁸⁰ ILO Convention concerning the Abolition of Forced Labour, 1957,⁸¹ and ILO Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, 1999.^{82,83}
- Regarding risks related to corruption and bribery, the Crimes Act 1961⁸⁴ and the Secret Commissions Act 1910⁸⁵ prohibit corruption and bribery practices in the public and private sectors. In addition, New Zealand has ratified the UN Convention Against Corruption and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business.^{86,87}
- Regarding community relations and stakeholder participation, community involvement in resource management is embedded in the RMA, with environmental decision-making allocated to the communities most closely affected by the use of that resource. Communities that will deal with the impacts and can best understand the environmental issues at stake will decide whether an activity is permitted in any particular location. The New Zealand Government and district and regional authorities are required to identify the environmental risks in their area and develop policy statements and plans detailing the means for regulating activities in response to environmental threats.⁸⁸ Furthermore, New Zealand's Ministry of Foreign Affairs and Trade

⁷⁵ New Zealand Government, Ministry for the Environment, "New Zealand's Environmental Legislation" (2021), at:

<https://environment.govt.nz/publications/the-state-of-new-zealands-environment-1997/chapter-four-environmental-management/new-zealands-environmental-legislation/>

⁷⁶ New Zealand Legislation, "Health and Safety at Work Act 2015", at:

<https://www.legislation.govt.nz/act/public/2015/0070/latest/DLM5976660.html>

⁷⁷ New Zealand Parliament, Parliamentary Counsel Office, "Human Rights Act 1993", at:

<https://www.legislation.govt.nz/act/public/1993/0082/latest/whole.html>

⁷⁸ New Zealand Parliament, Parliamentary Counsel Office, "New Zealand Bill of Rights Act 1990", at:

<https://www.legislation.govt.nz/act/public/1990/0109/latest/whole.html#DLM224792>

⁷⁹ ILO, "C029 - Forced Labour Convention, 1930", at:

https://normlex.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0:NO::P12100_ILO_CODE:C029

⁸⁰ 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

⁸¹ 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

⁸² New Zealand Government, Foreign Affairs and Trade, "Combatting modern slavery", at: <https://www.mfat.govt.nz/en/trade/nz-trade-policy/combating-modern-slavery>

⁸³ 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

⁸⁴ New Zealand Parliament, Parliamentary Counsel Office, "Crimes Act 1961", at:

<https://www.legislation.govt.nz/act/public/1961/0043/latest/DLM328753.html#:~:text=Every%20one%20is%20liable%20to,his%20or%20her%20official%20capacity>

⁸⁵ New Zealand Parliament, Parliamentary Counsel Office, "Secret Commissions Act 1910", at:

<https://www.legislation.govt.nz/act/public/1910/0040/latest/whole.html#:~:text=Every%20person%20is%20guilty%20of,such%20act%20is%20with%20the>

⁸⁶ OECD, "New Zealand and the OECD Anti-Bribery Convention", at: <https://www.oecd.org/en/topics/sub-issues/fighting-foreign-bribery/new-zealand-country-monitoring.html>

⁸⁷ New Zealand Government, "NZ ratifies UN Convention Against Corruption", at: <https://www.beehive.govt.nz/release/nz-ratifies-un-convention-against-corruption>

⁸⁸ New Zealand Government, Ministry for the Environment, "New Zealand's Environmental Legislation" (2021), at:

<https://environment.govt.nz/publications/the-state-of-new-zealands-environment-1997/chapter-four-environmental-management/new-zealands-environmental-legislation/>

emphasizes on stakeholder engagement by ensuring local community involvement throughout project lifecycles, and aligns its risk management with international frameworks, including the OECD Guidelines⁸⁹ and the UN Guiding Principles on Human Rights.⁹⁰ 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 common environmental and social risks associated with the eligible projects.⁹¹

Based on these policies, standards and assessments, Sustainalytics is of the opinion that the New Zealand Government has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of financing climate resilience and adaptation in New Zealand

New Zealand is highly vulnerable to natural hazards such as floods and erosion, and climate change is expected to exacerbate the frequency and intensity of extreme weather events.^{92,93,94} According to the IPCC climate projections, New Zealand will have higher temperatures, rising sea levels, increased floods, droughts, wildfires, ocean acidification and changes in rainfall and wind patterns.⁹⁵ Floods are the most common natural hazard in New Zealand,⁹⁶ exposing approximately 750,000 people and 500,000 residential properties valued at more than NZD 145 billion (USD 86.3 billion) to extreme floods in flood-prone areas near rivers and coastal regions.⁹⁷ New Zealand has already recorded a sea level rise of 20 cm since 1900,⁹⁸ with projections indicating a rise of up to one metre by the end of the century, posing significant risks to water security, coastal infrastructure and communities.⁹⁹

Natural disasters cause average economic losses of NZD 1.6 billion (USD 1 billion) annually in New Zealand, nearly 1% of the country's GDP.¹⁰⁰ The economic implications of failing to invest in climate resilience threaten not only the natural environment but also human health, social well-being and key economic sectors of New Zealand, including agriculture, forestry, fisheries and tourism.¹⁰¹ Furthermore, some communities, including Māori populations, are disproportionately affected by climate impacts, as many reside in coastal fringes and lowland areas exposed to flooding, erosion and sedimentation, making targeted adaptation efforts essential for protecting these populations.¹⁰² In 2022, the New Zealand Government conducted the first national climate change risk assessment (with an intent to undertake such assessments every six years),¹⁰³ and published its first National Adaptation Plan for 2022-2028, emphasizing three core areas: i) advancing climate-resilient development in regions most vulnerable to climate change; ii) offering data, information and guidance to empower individuals to evaluate and address their own climate risks; and iii) integrating climate resilience into government strategies and

⁸⁹ OECD, "OECD Guidelines for Multinational Enterprises on Responsible Business Conduct", at: https://www.oecd-ilibrary.org/finance-and-investment/oecd-guidelines-for-multinational-enterprises-on-responsible-business-conduct_81f92357-en

⁹⁰ OHCHR, "Guiding Principles on Business and Human Rights", at: https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf

⁹¹ Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/>

⁹² Environmental Health Intelligence New Zealand, "About natural hazards", at: <https://www.ehinz.ac.nz/indicators/population-vulnerability/about-natural-hazards/#:~:text=Due%20to%20its%20geography%20and,damaging%20and%20disruptive%20%5B1%5D>

⁹³ NIWA, "Climate change scenarios for New Zealand", at: <https://niwa.co.nz/climate-and-weather/climate-change-scenarios-new-zealand>

⁹⁴ Bündnis Entwicklung Hilft, "World Risk Report 2023", at: https://weltrisikobericht.de/wp-content/uploads/2023/10/WRR_2023_english_online161023.pdf

⁹⁵ Intergovernmental Panel on Climate Change (IPCC), "IPCC Sixth Assessment Report: Chapter 11 – Australasia", at: <https://www.ipcc.ch/report/ar6/wg2/chapter/chapter-11/>

⁹⁶ Environmental Health Intelligence New Zealand, "About natural hazards", at: <https://www.ehinz.ac.nz/indicators/population-vulnerability/about-natural-hazards/#:~:text=Due%20to%20its%20geography%20and,damaging%20and%20disruptive%20%5B1%5D>

⁹⁷ New Zealand Government, Ministry for the Environment, "New report highlights pressures on Aotearoa New Zealand's climate", (2023), at: <https://environment.govt.nz/news/new-report-highlights-pressures-on-aotearoa-new-zealands-climate/>

⁹⁸ National Institute of Water and Atmospheric Research (NIWA), "Sea levels and sea-level rise", at: <https://niwa.co.nz/hazards/coastal-hazards/sea-levels-and-sea-level-rise#:~:text=Historically%2C%20the%20gradual%20rise%20in,Auckland%20in%202011%20and%202014.>

⁹⁹ NIWA, "Climate change and possible impacts for New Zealand", at: <https://niwa.co.nz/climate-change-information-climate-solvers/climate-change-and-possible-impacts-new-zealand#:~:text=In%20New%20Zealand%2C%20the%20sea,a%20challenge%20for%20stormwater%20networks.>

¹⁰⁰ Insurance Council of New Zealand, "Protecting New Zealand from Natural Hazards", (2014), at: <https://www.icnz.org.nz/wp-content/uploads/2023/01/icnz-protecting-nz-from-natural-hazards-2014.pdf>

¹⁰¹ New Zealand Government, "Climate Economic and Fiscal Assessment 2023", at: <https://www.treasury.govt.nz/sites/default/files/2023-04/cefa23.pdf>

¹⁰² New Zealand Government, Ministry for the Environment, "Managed retreat", (2024), at: <https://environment.govt.nz/what-government-is-doing/areas-of-work/climate-change/adapting-to-climate-change/managed-retreat/>

¹⁰³ New Zealand Government, Ministry for the Environment, "First national climate change risk assessment for New Zealand", (2022), at: <https://environment.govt.nz/what-government-is-doing/areas-of-work/climate-change/adapting-to-climate-change/first-national-climate-change-risk-assessment-for-new-zealand/>

policies.^{104,105} In addition, a number of New Zealand’s existing national policies and laws incorporate considerations for climate adaptation, including: i) the New Zealand Coastal Policy Statement, which guides councils in managing coastal environments, taking into account sea-level rise;¹⁰⁶ ii) the Resource Management (Energy and Climate Change) Amendment Act, which outlines the provisions for the effects of climate change;¹⁰⁷ and iii) the Civil Defence Emergency Management Amendment Act, that requires regional and local authorities to plan for future natural hazards.¹⁰⁸

To align these policies with changing climate risks and to further climate-resilient development, the New Zealand Government aims to establish systems for resource management, emergency management and wastewater, drinking water and stormwater management.¹⁰⁹ Additionally, to support councils, communities, businesses and individuals in understanding local adaptation measures, the New Zealand Government intends to enact legislation to support managed retreat to enable relocation of assets from at-risk areas.¹¹⁰ Further, the New Zealand Government aims to develop an adaptation framework, outlining an approach to sharing the costs of adapting to climate change.¹¹¹ Additionally, New Zealand’s Climate Change Commission estimates a required NZD 34 billion (USD 20.6 billion) in additional investment by 2035 on energy, transport, building and infrastructure, agriculture, forestry and climate adaptation.¹¹²

Based on the above, Sustainalytics is of the opinion that the New Zealand Government’s funding of projects intended to improve climate resiliency is expected to contribute to reducing the immediate and long-term multidimensional effects of climate change in New Zealand.

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 New Zealand Sovereign Green Bond Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Clean Transport	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
Energy Efficiency and Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 7.3 By 2030, double the global rate of improvement in energy efficiency
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries

¹⁰⁴ New Zealand Government, Ministry for the Environment, “Adapt and thrive: Building a climate-resilient New Zealand – New Zealand’s first national adaptation plan”, (2022), at: <https://environment.govt.nz/publications/aotearoa-new-zealands-first-national-adaptation-plan/>

¹⁰⁵ Ibid.

¹⁰⁶ New Zealand Government, Ministry for the Environment, “New Zealand coastal policy statement”, (2021), at: <https://environment.govt.nz/acts-and-regulations/national-policy-statements/new-zealand-coastal-policy-statement/>

¹⁰⁷ New Zealand Parliament, Parliamentary Counsel Office, “Resource Management (Energy and Climate Change) Amendment Act 2004”, at: <https://www.legislation.govt.nz/act/public/2004/0002/latest/DLM237590.html>

¹⁰⁸ National Emergency Management Agency, “Civil Defence Emergency Management Amendment Act”, (2020), at: <https://www.civildefence.govt.nz/cdem-sector/legislation/civil-defence-emergency-management-amendment-act>

¹⁰⁹ New Zealand Government, Ministry for the Environment, “Aotearoa New Zealand’s first national adaptation plan released”, (2022), at: <https://environment.govt.nz/news/national-adaptation-plan-released/>

¹¹⁰ New Zealand Government, Ministry for the Environment, “Chapter 5 Adaptation options including managed retreat”, (2022), at: <https://environment.govt.nz/publications/aotearoa-new-zealands-first-national-adaptation-plan/adaptation-options-including-managed-retreat/>

¹¹¹ New Zealand Government, Ministry for the Environment, “Adaptation framework”, (2024), at: <https://environment.govt.nz/what-government-is-doing/areas-of-work/climate-change/adapting-to-climate-change/adaptation-framework/#:~:text=The%20framework%20will%20focus%20on,consider%20if%20legislation%20is%20needed.>

¹¹² New Zealand Treasury, “Financing the transition to a low emissions, climate resilient economy”, (2022), at: https://www.treasury.govt.nz/sites/default/files/2022-09/sp-financing-transition-low-emissions-climate-resilient-economy-19sep22_1.pdf

		taking action in accordance with their respective capabilities
Living and Natural Resources and Land Use	15. Life on Land 12. Responsible Consumption and Production	15.a Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems 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 12.2 By 2030, achieve the sustainable management and efficient use of natural resources
Terrestrial and Aquatic Biodiversity	14. Life below water 15. Life on Land	14.c Enhance the conservation and sustainable use of oceans and their resources by implementing international law as reflected in UNCLOS, which provides the legal framework for the conservation and sustainable use of oceans and their resources, as recalled in paragraph 158 of The Future We Want 15.a Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems
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 chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally 6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
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

Conclusion

The New Zealand Government has developed the New Zealand Sovereign Green Bond Framework under which it may issue green bonds and use the proceeds to finance or refinance existing or future projects and programmes intended to facilitate the transition to a low-carbon economy, enhance New Zealand's resilience to climate change and support biodiversity and conservation efforts, and support developing countries that are vulnerable to climate-related risks and hazards in implementing climate adaptation measures. Sustainalytics considers that the eligible projects are expected to provide positive environmental impacts in New Zealand and the developing countries funded under the Framework.

The Framework outlines processes for tracking, allocating and managing proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the New Zealand Sovereign Green Bond Framework is aligned with the overall sustainability strategy of the New Zealand Government and that the use of proceeds will contribute to advancement of UN Sustainable Development Goals 6, 7, 9, 11, 12, 13, 14 and 15. Additionally, Sustainalytics is of the opinion that the New Zealand Government has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects and programmes.

Based on the above, Sustainalytics is confident that the New Zealand Government is well positioned to issue green bonds and that the New Zealand Sovereign Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

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