

# PRE-ISSUANCE CLIMATE BOND CERTIFICATION

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Verification Report for Pre-Issuance Certification  
for the Green Bond Issued by New Zealand Green Investment  
Finance Limited

**NZGIF** / NEW ZEALAND  
GREEN INVESTMENT FINANCE

## SCOPE

New Zealand Green Investment Finance Limited (NZGIF) commissioned ICS to compile a Verifier's Report for Pre-Issuance Certification of its Green Bond by the Climate Bonds Initiative (CBI). The Climate Bonds Certification process includes verifying whether the provisions of the Climate Bonds Standard issued by the CBI are met and obtaining evidence to support the verification.

## CRITERIA

Relevant CBI standards for this Climate Bonds Certification:

- Climate Bonds Standard (Version 3)
- Solar Sector Eligibility Criteria (Version 2.1)

## ISSUER'S RESPONSIBILITY

NZGIF's responsibility was to provide information and documentation on:

- Selection of nominated projects & assets
- Technical aspects of projects & assets
- Internal processes & controls
- Proposed reporting

## ISS ESG's VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

We have conducted this independent Pre-Issuance Verification of the green bond issued by NZGIF based on the Climate Bonds Standard V.3. limited assurance procedures in accordance with relevant assurance standards such as the International Standard on Assurance Engagements, ISAE 3000 revised - Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board.

Our approach to assess whether the issuer's Green Bond meets the criteria of the Climate Bonds Standard V.3. is as follows:

- The issuer provided an overview over the assets to be included in the Green Bond asset pool and the relevant processes and documentation regarding the proceeds (e.g. use of proceeds, management of proceeds) to ISS ESG.
- The issuer filled in a questionnaire that covers all criteria of the Climate Bonds Standard V.3.
- The issuer provided background documents that elaborate further on the information mentioned in the questionnaire.
- Using the questionnaire and background documents, ISS ESG carried out an assessment of the CBI criteria. In case any answers were unclear, ISS ESG contacted the issuer for more details and clarification.

The engagement with NZGIF took place in September 2022.

## OUR BUSINESS PRACTICES

We have conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## RESTRICTION ON DISTRIBUTION AND USE OF REPORT

This Verification Report for Climate Bonds Certification including all documentation provided alongside is intended for the use of NZGIF and the Climate Bonds Standard Board. The present document may be published by NZGIF, CBI, and ICS. CBI and ICS agree to publish the report with the consent of NZGIF.

## OPINION

Based on the limited assurance procedures conducted and evidence obtained, nothing has come to our attention that causes us to believe that, in all material respects the NZGIF Solar Note is not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements.



ROBERT HÄBLER  
ISS ESG  
Munich, 23 November 2022

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## About ISS ESG

ISS ESG is one of the world’s leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

## Contact

Federico Pezzolato – Sustainable Finance Business Manager  
ISS Corporate Solutions, 1 London Bridge, London, SE1 9BG  
tel: +44 (0) 203 192 5760  
e-mail: [SPO@isscorporatesolutions.com](mailto:SPO@isscorporatesolutions.com)

## ANNEX

Annex 1: Detailed Findings

Annex 2: Detailed Findings Solar Power

## ANNEX 1: DETAILED FINDINGS

### 1. USE OF PROCEEDS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
1.1.	Documentation of nominated projects & assets assessed as eligible.	The issuer will finance solar assets distributed by developers through the NZGIF Solar Note, a product to be issued under the NZGIF Green Financing Framework that includes solar panels and battery storage systems, operational expenditures to provide installation and ongoing maintenance. A list of nominated projects and assets is not available at the time of this assessment because the facilities will be developed over the next 18 months after issuance.	✓
1.2.	Net Proceeds are smaller than the issuer's investment exposure to the Nominated Projects & Assets.	The issuer confirms the loan-to-value ratio made to distributed solar developers and financed through the NZGIF Solar Note will range between 50%-80%. This is managed through covenants in the loan agreements.  The issuer expects to raise up to NZ\$300m in total, in which NZ\$250m will be from external investors, NZ\$50m will be held by NZGIF. The issuer confirmed that all of the funds raised by the product will be provided to distributed solar developers.	✓
1.3.	No duplicate nomination of Projects & Assets to multiple Certified Climate Bonds or labelled instruments.	The issuer confirms the nominated solar assets are being funded by one CBI Certified Climate Bond/ Loans, and the CBI Certified Climate Bond/ Loans are not being refinanced via another labelled instrument.	✓

### 2. PROCESS FOR EVALUATION AND SELECTION OF PROJECTS AND ASSETS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
2.1.	Decision-making process to	See below.	N/A

	determine eligibility of nominated projects & assets, including:		
2.1.1.	Statement on the climate-related objectives of the Bonds or instruments.	The NZGIF Green Financing Framework supports accelerating and facilitating investment in emissions reductions in Aotearoa New Zealand. The NZGIF Solar Note will finance the installation of distributed solar PV generation assets backed by power purchase agreement, increase renewable generation capacity and reduce reliance on thermal generation in Aotearoa New Zealand.	✓
2.1.2.	Climate-related objectives of the Bond in the context of the issuer's environmental strategy and policies.	The NZGIF Solar Note will support the issuer's purpose to invest to enable Aotearoa New Zealand's low carbon future.	✓
2.1.3.	Issuer's rationale for issuing the Bonds or instruments.	The NZGIF Solar Note will provide qualifying investors the opportunity to co-invest alongside NZGIF to finance the growth of distributed solar PV generation in Aotearoa New Zealand. This aligns with NZGIF's mission to increase renewable generation in Aotearoa New Zealand and crowd in the private capital.	✓
2.1.4.	Process to determine eligibility of Nominated Projects & Assets	Eligible Projects will be assessed against the eligibility criteria and NZGIF's E&S risks management processes by the Management Investment Committee, and then be presented for approval by the Board.  The issuer commits to obtain the appropriate post-issuance assurance on the portfolio of solar loans to confirm its compliance with the selected criteria.	✓
2.2	Issuer should include under Clause 2.1 further aspects of the decision-making process, including:	See below.	N/A

2.2.1	Related eligibility criteria to identify and manage potentially material ESG risks associated with the Nominated Projects & Assets.	The issuer has due diligence process for managing the ESG risks associated with the investment. The process includes an assessment of the technologies and suppliers used by the developer, as well as an investigation of the developer’s business practices against NZGIF’s ESG requirement. This includes the human rights policies in the solar panel manufacturing supply chain.	✓
2.2.2	Green standards or certifications referenced in the selection of Nominated Projects & Assets.	No other green standards or certifications are referenced for solar assets.	✓
2.2.3	The issuer shall assess all Nominated Projects & Assets meet the documented objectives in 2.1.1 and conform to the CBI eligibility requirements.	Eligible Projects will be assessed against the eligibility criteria and NZGIF’s E&S risks management processes by the Management Investment Committee, and then be presented for approval by the Board.	✓



### 3. MANAGEMENT OF PROCEEDS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
3.1	Systems, policies and processes around the management of Net Proceeds include:	See below.	N/A
3.1.1.	Process around management of the net proceeds	The issuer has a Green Financing Instruments Register in place to record the allocations and track the use of proceeds of the issuance.	✓
3.1.2.	Management of unallocated Net Proceeds	NZGIF confirmed that the unallocated Net Proceeds will be held in temporary investment instruments that are cash, or cash equivalent instruments.	✓
3.1.3.	Earmarking process used to manage allocation of proceeds and estimate of the share of the Net Proceeds being used for financing and refinancing.	<p>The issuer has a Green Financing Instruments Register in place to record the details of the Green Financing Instruments and the use of proceeds.</p> <p>The Register will be reviewed annually by the Chief Operating Officer to account for any re-allocation, repayments or drawings on the eligible projects and expenditures within the pool.</p>	✓

### 4. REPORTING PRIOR TO ISSUANCE

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
4.1	Confirmation that a Green Bond Framework will be publicly available. It should include without limitations:	The upcoming issuance is intended to be private, the issuer will make the Framework available to the investors. The Framework will be public if any public issuance is involved in the future.	✓
4.1.1	Confirmation that bonds issued under the framework are aligned with the	The Framework mentions the issuer’s intention for its Green Financing Instruments to be aligned with the Green Bond Principles, Green Loan Principles, and the Climate Bonds Standard.	✓

	Climate Bonds Standard and other standards.		
4.1.2	Summary of the use of proceeds and their contribution to the goals of the Paris Climate Agreement.	The Framework includes details of the expected use of proceeds as well as how they contribute to the goals of the Paris Climate Agreement by emissions reductions.	✓
4.1.3	Description of the decision-making process.	The Framework includes a description of the decision-making process, as outlined in Section 2.2.	✓
4.1.4	Description of the relevant Sector Eligibility Criteria and any additional impact metrics.	The Framework mentions the relevant CBI Sector Criteria as outlined in Section 2.5.2.	✓
4.1.5	Summary on the approach used to manage unallocated net proceeds.	The Framework mentions that unallocated proceeds may be used for the payment of all or a portion of outstanding indebtedness, and/or temporarily invest in cash, cash equivalents, and short-term instruments or other capital management activities. NZGIF confirmed that the unallocated Net Proceeds will be held in temporary investment instruments that are cash, or cash equivalent instruments.	✓
4.1.6	Intended approach to provide Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bonds or instruments remains outstanding.	The Framework mentions that annual reporting will be provided until full allocation of the issuance. They will be subject to verification by an external auditor.	✓
4.1.7	List of proposed Nominated Projects & Assets associated with the Bond or instruments and the investment areas, as provided	The Framework includes solar assets that falls into the solar energy sector of the Climate Bonds Taxonomy.	✓

	in Clause 9.1, into which the Nominated Projects & Assets fall.		
4.1.8	An estimate of the proportion of financing and refinancing, and the expected look-back period for refinancing.	<p>The Framework mentions a maximum lookback period for refinancing of 36 months.</p> <p>There is currently no estimate for the refinancing proportion of the upcoming bond. The refinancing proportion will be included in the annual impact reporting.</p>	✓
4.2	Disclosure Documentation shall include:	See below.	N/A
4.2.1	Investment areas, of the Nominated Projects & Assets	The Framework includes the information about the investment areas and eligible categories in the Nominated Projects and Assets.	✓
4.2.2	Temporary investment instruments for unallocated Net Proceeds	The Framework mentions that unallocated proceeds may be used for the payment of all or a portion of outstanding indebtedness, and/or temporarily invest in cash, cash equivalents, and short-term instruments or other capital management activities. NZGIF confirmed that the unallocated Net Proceeds will be held in temporary investment instruments that are cash, or cash equivalent instruments.	✓
4.2.3	Verifier's engaged by the issuer for the mandatory verification engagements.	The Framework mentions that ICS is commissioned to provide alignment assessment of the first financing facilities issued under the Framework, to be submitted for Climate Bonds Certification.	✓
4.2.4	Intended approach providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bonds or instruments remains outstanding, including the location of the	<p>The Framework mentions that annual reporting will be provided until full allocation of the issuance. They will be subject to verification by an external auditor.</p> <p>The upcoming issuance is intended to be private, the issuer will make the annual reporting available to the investors. The annual reporting will be public if any public issuance is involved in the future.</p>	✓

	published documents.		
4.2.5	CBI Disclaimer provided in the Certification Agreement	The NZGIF Green Financing Framework includes the CBI disclaimer provided in the Certification Agreement.	✓

## ANNEX 2: DETAILED FINDINGS SOLAR POWER



**The Green Bond Asset Pool complies with the Solar Power criteria of the Climate Bonds Initiative.**



All onshore solar assets are eligible for the Climate Bonds Initiative. All of the assets do not have dedicated fossil fuel back up such as diesel generators.