



Kāinga Ora – Homes and Communities

Sustainable Finance Framework

September 2022



Introduction

Kāinga Ora is the largest residential landlord in New Zealand, housing more than 186,000 people in over 69,000 properties across the country. With a portfolio value in excess of \$40 billion, this is one of the New Zealand Government's largest assets. Our core responsibility is to deliver public housing for people who need it, and helping our customers live well in their homes.

This Sustainable Finance Framework (the Framework) describes how Kāinga Ora will finance or refinance projects and expenditures by entering into Sustainable Finance Transactions (SFTs). These transactions support our strategy and vision of delivering positive environmental, social and wellbeing outcomes.

The Framework was developed to align both physical and financial capitals within the organisation towards achieving the same goals. This document gives an overview of Kāinga Ora, including our commitment to sustainability, before covering the required aspects for the issuance of sustainability instruments. The Framework aligns with the International Capital Market Association (ICMA) Green and Social Bond Principles and Sustainability Bond Guidelines, the New Zealand Treasury Living Standards Framework (LSF) and the Government's commitment to the United Nations Paris Agreement and Sustainable Development Goals (SDGs).

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Overview



About Kāinga Ora

Kāinga Ora – Homes and Communities is a New Zealand Crown entity. Kāinga Ora means ‘wellbeing through places and communities’.

Our role

As an organisation, we have two key roles:

- being a world-class public housing landlord
- partnering with the development community, Māori, local and central government, and others on urban development projects of all sizes.

Our legislation

The Kāinga Ora – Homes and Communities Act 2019 sets out the operating principles Kāinga Ora needs to apply in the areas of:

- public housing solutions that contribute positively to wellbeing
- housing supply meets needs
- well-functioning urban environments
- stewardship and sustainability
- collaboration and effective relationships.

We have a broad set of responsibilities, customers and stakeholders to work with. The foundations for our success begin with a deep understanding of our communities and the challenges they face across New Zealand.

Our vision

*Building better, brighter homes, communities and lives.
He oranga kāinga, he oranga hapori, he oranga tāngata.*



Organisational commitments

Commitment to sustainability

Kāinga Ora recognises the potential for buildings' carbon emissions to contribute to climate change and acknowledges the importance of generating positive environmental and social outcomes through our operations, build programmes and influence on customers.

The Kāinga Ora vision for sustainability is strategically aligned with the Government's commitments to international agreements, including the UN Paris Agreement and [Sustainable Development Goals](#) (SDGs), as well as its focus on wellbeing as a measure of living standards.

Kāinga Ora demonstrates a commitment to sustainability by implementing a Customer Strategy and Programme, an Environment Strategy and key measures of success outlined in the Kāinga Ora Statement of Intent.

Commitment to wellbeing

Kāinga Ora is committed to sustaining and growing intergenerational wellbeing.

The [New Zealand Living Standards Framework](#) (LSF) was developed by the New Zealand Treasury to measure and analyse intergenerational wellbeing.

The LSF aims to deliver better policy advice to Ministers, which is targeted at improving living standards and considers the impact on New Zealand's current and future stocks and flows of wellbeing. The LSF also allows comparisons of wellbeing across population groups and internationally to identify where New Zealand's living standards may fall short.

Kāinga Ora acknowledges that public housing and wraparound services for people in need are an important source of wellbeing, with potential impacts on the four aspects of wealth that form the basis of the LSF:

- Financial and physical capital
- Human capability
- Natural environment
- Social cohesion.

The four aspects of wealth are interrelated. For example, constructing new public housing contributes to New Zealand's financial and physical capital but also potentially improves living standards for tenants by reducing overcrowding. This can lead to better health outcomes for customers and provides greater housing stability, which can then lead to better educational outcomes for children, also benefitting human capability.

Achieving sustainable outcomes

Environmental outcomes

The Kāinga Ora [Environment Strategy](#) develops strategic responses that are tailored to address our environmental impacts and areas of influence. The Strategy is primarily focused on climate change and waste as these are particularly relevant to our operations.

Kāinga Ora is a large consumer of raw materials and has a significant environmental footprint, particularly through our build and maintenance programmes.

We are uniquely placed to contribute towards environmental objectives. This is due to our ability to influence change through a variety of channels.

Kāinga Ora can reduce our impact, influence the behaviour of our contractors and customers, and lock in the future environmental performance of our assets.

The Environment Strategy strives to reduce our impact on the environment by endeavouring to achieve the following three outcomes:

- reduce the emissions produced by Kāinga Ora homes, construction programme and operations
- reduce the waste produced by our construction programme, operations and customers
- improve the native biodiversity, green spaces and air quality in Kāinga Ora communities.

Kāinga Ora has embedded processes to continually explore the feasibility of different initiatives to achieve these outcomes.

The criteria against which these will be assessed are the size of the impact, the degree of control that Kāinga Ora can exert, the financial sustainability of implementation, ancillary benefits to customers and communities, and the New Zealand Government's priorities.

Social outcomes

The key responsibility for Kāinga Ora is housing New Zealanders in the greatest need for the duration of their need.

As a public landlord, Kāinga Ora goes above and beyond what other landlords are required to do in supporting customers by linking them with the social support services they need.

The Kāinga Ora [Statement of Intent](#) is our key strategic document. It outlines who Kāinga Ora is, what we do, the factors influencing our role and how success will be measured so that we continue to be a leader in a growing sector that improves the lives of all New Zealanders.

Key measures relating to improved social outcomes include customer satisfaction with housing and related services, as well as the condition of the assets and their suitability for customers.

We have a [Customer Strategy](#) that sets the direction of the services and housing provided for Kāinga Ora customers. The Strategy outlines how we will achieve our vision to enable our customers to live well, with dignity and stability, in connected communities.

Visual framework map

The following graphic shows the relationship between the operating principles laid out in the Kāinga Ora – Homes and Communities Act 2019, our outcomes as an organisation, and their connection to external guidelines and frameworks:



Sustainable Finance Framework



Framework outline

Kāinga Ora primarily issues Wellbeing Bonds under the Sustainable Finance Framework (the Framework). However, we retain the option to issue any of the following Sustainable Finance Transactions (SFTs):

- Green Bonds
- Social Bonds
- Sustainability Bonds
- Wellbeing Bonds (Sustainability Bonds that are also aligned with the LSF).

Bonds issued under the Framework will be aligned as appropriate for the type of bond issued with the International Capital Market Association (ICMA) [2021 Green Bond Principles \(GBP\)](#), [2021 Social Bond Principles \(SBP\)](#) and [2021 Sustainability Bond Guidelines \(SBG\)](#), or as they may be subsequently amended.

Each SFT will align with five core components as set out in the Framework:

1. Use of proceeds
2. Project evaluation and selection process
3. Management of proceeds
4. Reporting
5. External review.



1. Use of proceeds

The net proceeds of each SFT will be designated to the partial or complete:

- financing of new eligible sustainable projects
- refinancing of existing eligible sustainable projects.

Eligible sustainable projects are assets, investments or other related expenditure within an eligible investment portfolio contributing to at least one of the four eligible categories. All four categories will be considered for financing of SFT proceeds.

Given the long-term nature of the assets being financed (houses lasting 50 years or more), and the medium-term finance raised, Kāinga Ora will not apply a look-back period for the refinancing of the existing eligible sustainable projects. These projects will continue to provide positive sustainable outcomes over the duration of their lives.



Eligible categories

SBP eligible categories	Description	SDGs alignment	SDG target	LSF alignment
<p>Affordable housing Social</p> 	<ul style="list-style-type: none"> • Development of new public housing • Retrofit of existing public housing, including upgrades to provide better health and wellbeing outcomes for customers • Development and modification of units (public and supported housing) for accessibility and mobility <p>Target population: People in need of housing on the Ministry of Social Development (MSD) Social Housing Register, categorised as Priority A and B applicants.</p>		<p>Target 11.1</p> <p>By 2030, ensure access for all to adequate, safe and affordable housing and basic services</p>	<ul style="list-style-type: none"> • Social cohesion • Financial and physical capital
<p>Socioeconomic advancement and empowerment Social</p> 	<p>Supporting equitable market participation and reduction in income inequality through:</p> <ul style="list-style-type: none"> • providing apprenticeship and training opportunities in the construction programme • ensuring local businesses are fairly represented in our supplier base, with particular focus on Māori- and Pasifika-owned businesses. <p>Target population: Māori and Pasifika, women, youth, and Kāinga Ora customers.</p>		<p>Target 10.2</p> <p>By 2030, empower and promote the social, economic and political inclusion of all</p>	<ul style="list-style-type: none"> • Social cohesion • Human capability

Eligible categories (continued)

SBP eligible categories	Description	SDGs alignment	SDG target	LSF alignment
Green buildings Green 	New construction and/or retrofit of public housing that has or will receive a minimum 6 Homestar rating . ¹		Target 7.3 By 2030, double the global rate of improvement of energy efficiency	<ul style="list-style-type: none"> Natural environment Financial and physical capital
Pollution prevention and control Green 	Reduction of construction waste through: <ul style="list-style-type: none"> standard designs for consistent material sizes and selective material types that reduce construction waste deconstruction services and waste management to recycle and reuse deconstruction waste use of materials that reduce waste and/or have recycled content. 		Target 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycle and reuse	<ul style="list-style-type: none"> Natural environment

Sample indicators for each category can be found under the [Reporting](#) section. Further definition of the MSD Social Housing Register is included in the [Appendix](#).

1. Most Kiwi homes would only achieve a 2 or 3 on the Homestar rating scale. A new home designed and built to today's Building Code would achieve around a 3 or 4 on the Homestar scale.

Our business and sustainable allocation of proceeds

The work and outcomes that Kāinga Ora achieves and finances do not neatly fall into any one of the categories highlighted under the eligible categories. Generally, the lifecycle of the proceeds extend across all these categories, as illustrated in the graphic below. A typical lifecycle of the use of proceeds might look like:

1. Deconstructing and preparing the section for building using waste minimisation (Pollution prevention and control)
2. The construction of a green social house with the following effects:
 - a. Building to a 6 Homestar standard (Green buildings)
 - b. In some cases, providing apprenticeship opportunities to those in disadvantaged circumstances and engaging with Māori and Pasifika-owned businesses to support the wider community (Socioeconomic advancement and empowerment)

3. Having a new social house to provide affordable housing for the target population (Affordable housing).

Once the home reaches the end of its useful life, it will be deconstructed using waste minimisation, and the cycle will start anew.

Given this lifecycle approach and use of proceeds across multiple eligible categories and types (Green and Social), Kāinga Ora will allocate proceeds at a higher 'sustainability' level. However, in some cases, proceeds may be allocated to solely Green or Social categories.

Lifecycle of allocated proceeds



Eligible investment portfolios

SFT proceeds are eligible for use in the following portfolios:

Portfolio	Definition
Public housing	Housing for people in the greatest need for the duration of that need
Supported housing	Providing short-term housing for families who urgently need somewhere to stay
Urban development and regeneration	Land development programmes focused on enabling housing supply

Further information about each portfolio is available in the [Appendix](#).

Exclusionary investment programmes

SFT proceeds will not be eligible for use in the following programmes, under the Housing Supply Portfolio:

Programme	Definition
KiwiBuild	Houses at KiwiBuild price points that are deemed affordable based on the person's level of income. Further information on criteria can be found on the KiwiBuild website.
Market housing	Kāinga Ora is currently undertaking several large-scale regeneration projects whereby the existing Kāinga Ora homes on tracts of contiguous sites are demolished, and the resulting bare land is reconfigured for increased density of housing. Market housing in this context refers to surplus sections of land that are released by Kāinga Ora to be sold on the open market for redevelopment without the application of price restrictions.

Exclusionary criteria

Kāinga Ora will not knowingly include any of the following activities in eligible projects or expenditures funded by SFT proceeds:

- manufacture, wholesale or retail of alcoholic beverages
- manufacture, wholesale or retail of tobacco products
- ownership or operation of gambling enterprises
- production or distribution of adult entertainment materials
- manufacture, retail sale or distribution of weapons and small arms
- transportation of live cattle
- whaling
- predatory lending activities
- production or refining of palm oil
- extraction or refining of fossil fuels
- large-scale hydro projects (i.e. projects that generate greater than 20 MW of electricity)
- technology and equipment for large-scale hydro projects
- transmission infrastructure and systems where 25 percent or more of electricity transmitted to the grid is fossil fuel-generated.

2. Project evaluation and selection process

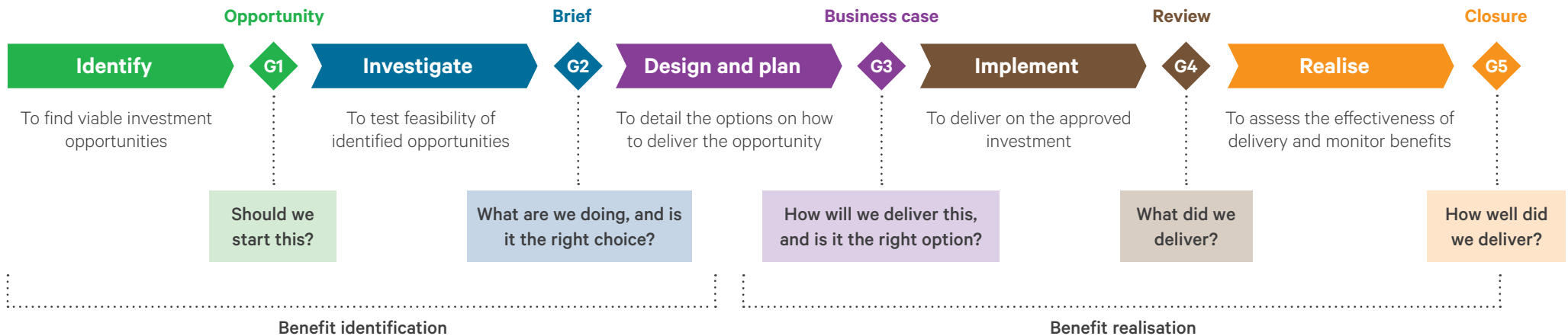
The Kāinga Ora Investment Management Framework (IMF) sets out how we make decisions and deliver on investments in assets, development and communities to achieve our outcomes. The IMF helps ensure the proceeds of SFTs meet the criteria set out under the Use of proceeds section.

The IMF includes:

- the investment management lifecycle
- the P3 management structure

The investment management lifecycle

Phases and phase gates



Approved projects that progress past the business case phase at G3 are allocated to a portfolio. The Kāinga Ora Treasury team confirms eligible projects/expenditures for SFT allocation, final review and approval by the Chief Financial Officer as required per delegation. The project is then added to the Sustainable Finance Register.

Any project considered as an eligible project in accordance with the Framework will be earmarked for the use of proceeds of an SFT.

The IMF excludes decision-making for Crown products and investments in ICT, facilities and corporate activity, as these are covered by different frameworks.

The P3 management structure

The management structure within the IMF comprises of three levels, collectively termed 'P3':

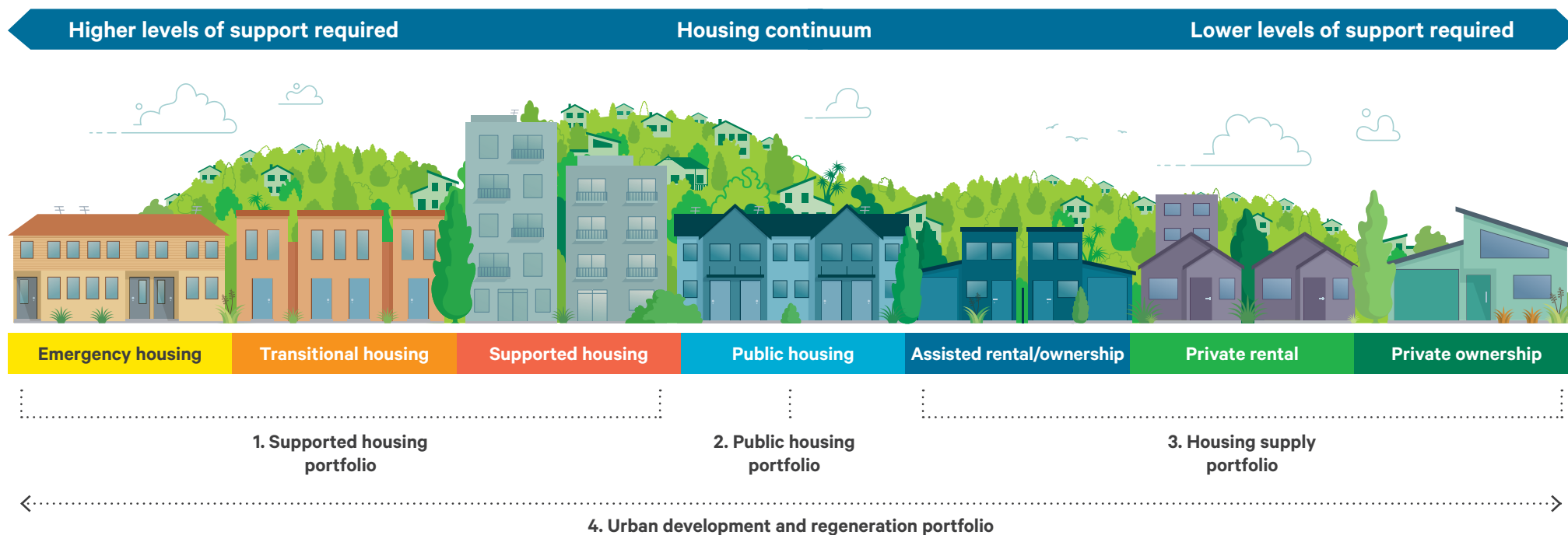


The three levels are nested together, with all programmes and projects sitting within a portfolio. Sustainability impacts can be shared across the portfolios because programmes and projects may overlap.

Kāinga Ora currently has four different portfolios:

1. Public housing
2. Supported housing
3. Housing supply
4. Urban development and regeneration.

The Urban development portfolio is unique in that it enables usable land for construction, therefore underpinning the other portfolios. The eligibility of each portfolio is outlined under the [Use of proceeds](#) section, and further information about each portfolio is available in the [Appendix](#).



3. Management of proceeds

The proceeds of each Kāinga Ora SFT are pooled and managed on a financing portfolio basis. We manage proceeds on a portfolio basis for three reasons:

1. Operational efficiency – we have many active projects in development at once, making reporting at a portfolio basis significantly more efficient.
2. Operating principles – within each eligible portfolio, all expenditure provides either a sustainable or social benefit, limiting the value of isolating specific expenditure on an itemised and/or individual project basis.
3. Privacy considerations – restricts the level of detail that may be disclosed.

Financing is designated to a portfolio of eligible projects and expenditures identified in the Sustainable Finance Register. The Register will contain the following information:

1. Details of the SFT(s): key information including issuer entity, transaction date, principal amount of proceeds, settlement date, maturity date and interest rate or coupon and International Securities Identification Number (ISIN).
2. Details of use of proceeds, including:
 - summary detail of eligible projects/expenditures to which the proceeds of an SFT have been earmarked in accordance with the Framework
 - amount of SFT proceeds earmarked to each eligible portfolio, project and/or eligible category
 - confirmation of appropriate delegation authority endorsement that the project is an eligible use of proceeds within the Framework
 - aggregate amount of SFT proceeds earmarked to eligible portfolio and projects/expenditures
 - any unallocated SFT proceeds yet to be earmarked against eligible portfolio and projects/expenditures
 - estimated environmental and social impact, where available.

The net proceeds from the SFT(s) will be invested according to the Kāinga Ora Treasury Policy until allocation.

Kāinga Ora will primarily allocate proceeds across multiple eligible categories for the reporting period. A small percentage may be allocated to a specific Green or Social category. Proceeds will be allocated within 24 months of original issuance.

The Sustainable Finance Register will be reviewed annually by the Kāinga Ora Treasury team to account for any reallocation, repayments or drawings on the eligible projects and expenditures within the pool.

4. Reporting

Kāinga Ora will publish a Sustainable Finance Impact Report on an annual basis for all outstanding SFTs. This will be available on [our website](#), and will disclose the following information at a minimum:

1. SFT summary

- A list and/or link of all SFT(s) executed in the reporting period and outstanding at the reporting date
- Summary terms of each transaction, including issuer entity, transaction date, principal amount of proceeds, maturity date and interest rate or coupon and ISIN

2. Allocation reporting

- A list of eligible programmes or portfolios to be funded by the proceeds of SFTs
- Amount of proceeds allocated to the various eligible portfolios
- Description of major eligible portfolios
- Aggregate amount of SFT proceeds allocated to eligible portfolios
- Amount of proceeds allocated to refinancing of existing debt
- The remaining balance of unallocated proceeds, yet to be designated to an eligible programme or portfolio

3. Impact reporting

- Quantitative reporting of the environmental and social impacts resulting from eligible projects/expenditures
- Supporting qualitative case studies

Kāinga Ora may utilise the following potential sustainable impact reporting indicators:

Eligible categories	Potential indicators
Affordable housing	<ul style="list-style-type: none"> • Number of people housed with new and/or retrofitted public housing accommodation • Number of homes modified for accessibility or mobility • Number of supported homes delivered • Number of homes retrofitted
Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> • Number of apprenticeships enabled by construction programme • Percentage of apprentices who identify as Māori or Pasifika • Percentage of construction expenditure attributed to Māori/Pasifika-owned businesses
Green buildings	<ul style="list-style-type: none"> • Green certifications obtained • Percentage of materials sourced sustainably (certified products, recycled content) • Energy/carbon dioxide (CO₂) savings from new green buildings
Pollution prevention and control	<ul style="list-style-type: none"> • Amount of waste reduced, reused, recycled and/or diverted from landfill (tonnes) • Percentage or number of existing Kāinga Ora homes relocated to make way for new redevelopments

5. External review

Kāinga Ora recognises the importance of independent review in validating our approach to sustainable finance. All external review documents will be publicly available on [our website](#).

Impact report – annual review

For each annual Sustainable Finance Impact Report, Kāinga Ora will engage an appropriate independent party to provide a review and assurance that each outstanding SFT remains compliant with the Framework.

Framework – second-party opinion

Kāinga Ora will engage an external review provider as appropriate to ensure the Framework continues to align with relevant standards and guidelines.

Sustainalytics have reviewed the 2022 Kāinga Ora Sustainable Finance Framework. Their second-party opinion confirms alignment with the 2021 GBP, 2021 SBP and 2021 SBG. The opinion also confirms that the SFTs can contribute to achieving the impacts intended by the LSF.



Appendix



Portfolio definitions

Public housing

Kāinga Ora provides public housing for people in the greatest need, for the duration of that need. Applicants assessed as eligible for public housing who are ready to be matched to a suitable property are placed on the MSD Social Housing Register and categorised as either Priority A or Priority B. The home and tenancy management are provided by Kāinga Ora.

- Priority A: People who are considered ‘at risk’, including households with a severe and persistent housing need that must be addressed immediately. The household is unable to access and/or sustain suitable, adequate and affordable alternative housing.
- Priority B: People who have a ‘serious housing need’, including households with a significant and persistent need. The household is unable to access and/or sustain suitable, adequate and affordable alternative housing.

Most customers in public housing pay income-related rent, which limits their rent to no more than around 25 percent of their gross income. This rental payment is topped up to the market rent by MSD’s Income-Related Rent Subsidy.

Supported housing

Supported housing provides short-term housing for people who don’t have anywhere to live and have an urgent need for a place to stay. This housing is used to help customers stabilise their short-term housing and support needs and learn to live independently before moving to a more permanent housing solution. This includes:

- people who experience mental illness
- people who have physical and intellectual disabilities
- people who have substance addiction
- people seeking refuge
- families who need emergency housing
- children and youth at risk
- people transitioning from prison back into the community.

Market supply

Market supply provides market housing for private owners, with the intention to increase housing supply and improve affordability for all New Zealanders. This is achieved through a range of activities:

- building houses directly
- developing or selling land to facilitate the supply of houses
- supporting housing innovation initiatives
- facilitating or underwriting private developments.

Urban development and regeneration

Urban development provides usable land in areas with supply shortfalls to enable the construction of supported, public, market and affordable housing. It also renews high-concentration public housing areas.

Investment in the Urban Development and Regeneration Portfolio supports the achievement of objectives across the other three portfolios.

Activities under this portfolio include:

- increasing the supply of serviced land in markets with significant supply shortfalls
- supporting the development and regeneration of urban environments
- supporting the development of related commercial, industrial, community, or other amenities, infrastructure, facilities, services, or works
- promoting innovation and best practice in urban design and built environment.

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Acronym list

CO₂	Carbon dioxide
GBP	Green Bond Principles
ICMA	International Capital Markets Association
IMF	Investment Management Framework
ISIN	International Securities Identification Number
LSF	Living Standards Framework
MSD	Ministry of Social Development
P3	Portfolio/Programme/Project
SBG	Sustainable Bond Guidelines
SBP	Social Bond Principles
SDG	Sustainable Development Goals
SFT	Sustainable Finance Transaction
UN	United Nations

Disclaimer

- The Framework may subsequently be updated as the sustainable finance market evolves.
- Eligible categories may expand or change over time.
- Kāinga Ora may, at our discretion, choose to fully allocate a particular SFT to a specific Green or Social project or expenditure.
- Consistent with our philosophy on sustainability, this document is available only in electronic format.

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Te Kāwanatanga o Aotearoa
New Zealand Government

