SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Financing Framework

New Zealand Green Investment Finance Limited

26 July 2023[1]

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	▪ Green Financing Instruments
Relevant standards	▪ Green Bond Principles, as administered by ICMA (as of June 2021 with June 2022 appendix 1) ▪ Green Loan Principles, as administered by the Loan Market Association (as of 02.2021)
Scope of verification	▪ New Zealand Green Investment Finance Limited's Green Financing Framework (as of July 20, 2023) ▪ New Zealand Green Investment Finance Limited's Eligibility Criteria (as of July 20, 2023)
Lifecycle	▪ Pre-issuance verification
Validity	▪ As long as there is no material change to the Framework

[1] The SPO was initiated in September 2022, based on the methodology applied at the time, and was completed in January 2023. It should be noted that the Issuer made cosmetic updates to its Framework, including changing the term to "decarbonization" rather than "emissions reduction," as well as extending the period until full allocation of the proceeds from 24 to 36 months. The SPO has been updated to reflect these minor changes in July 2023.

CONTENTS

SCOPE OF WORK 3
NZGIF BUSINESS OVERVIEW 3
ASSESSMENT SUMMARY 4
SPO ASSESSMENT 5
PART I: ALIGNMENT WITH GBP AND GLP 5
PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE 7
A. CONTRIBUTION OF THE GREEN FINANCING INSTRUMENTS TO THE UN SDGs 7
B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA 16
PART III: LINKING THE TRANSACTION(S) TO NZGIF'S ESG PROFILE 18
A. CONSISTENCY OF GREEN FINANCING INSTRUMENTS WITH NZGIF'S SUSTAINABILITY STRATEGY 18
B. NZGIF'S BUSINESS EXPOSURE TO ESG RISKS 19
ANNEX 1: Methodology 23
ANNEX 2: Quality management processes 24
About this SPO 25

SCOPE OF WORK

New Zealand Green Investment Finance Limited ("the Issuer" or "NZGIF" or 'the Company") commissioned ICS to assist with its Green financing instruments by assessing three core elements to determine the sustainability quality of the instruments:

1. NZGIF's Green Financing Framework (as of July 20, 2023) – benchmarked against the International Capital Market Association's (ICMA) GBP and the Loan Market Association's (LMA) GLP.
2. The Eligibility criteria– whether the categories contribute positively to the UN SDGs and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Linking the transaction(s) to NZGIF's sustainability strategy – drawing on NZGIF's overall sustainability profile and issuance-specific Use of Proceeds categories.

NZGIF BUSINESS OVERVIEW

New Zealand Green Investment Finance is a green investment bank. It was established by the New Zealand Government with the Minister of Finance and Minister for Climate Change as shareholding ministers. It is classified in the Specialized Finance industry, as per ISS ESG's sector classification. The Company invests in sectors such as energy efficiency, transportation, agriculture, and other hybrid investments with an aim of reducing emissions and demonstrating the benefits of low-carbon investment to the market. It had total assets worth $241.2m as of 30th June, 2022.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION[2]
Part 1: Alignment with GBP and GLP	The Issuer has defined a formal concept for its Green financing instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds, and reporting. This concept is in line with the GBP and GLP.	**Aligned**
Part 2: Sustainability quality of the Eligibility criteria	The Green financing instruments will (re)finance eligible asset categories, which include: renewable energy, green buildings, pollution prevention and control, and clean transportation. The use of proceeds categories have a significant contribution to SDG 7 "Affordable and Clean Energy" SDG 12 "Responsible Consumption and Production" and SDG 13 "Climate Action". The remaining use of proceed categories improve the Company's operational impacts and mitigate potential negative externalities of the Issuer's sector on SDG 7 "Affordable and Clean Energy" and SDG 13 "Climate Action". The environmental and social risks associated with those use of proceeds categories are well managed.	**Positive**
Part 3: Linking the transaction(s) to NZGIF's overall ESG profile	The Use of Proceeds financed through the Green financing instruments are consistent with the Issuer's sustainability strategy and material ESG topics for the Issuer's industry. The rationale for issuing Green financing instruments is clearly described by the Issuer.	**Consistent**

[2] Evaluation is based on the NZGIF's Green Financing Framework (July 20, 2023), and the eligibility criteria as received on the July 20, 2023 as well as on the Indicative Corporate Rating which applicable at the SPO delivery date.

SPO ASSESSMENT

PART I: ALIGNMENT WITH GBP AND GLP

This section evaluates the alignment of the NZGIF's Green Financing Framework (as of July 20, 2023) with the GBP and GLP.

GBP AND GLP	ALIGNMENT	OPINION
1. Use of Proceeds	✓	The Use of Proceeds description provided by NZGIF's Green Financing Framework is **aligned** with the GBP and GLP. The Issuer's green categories align with the project categories as proposed by the GBP and GLP; criteria are defined in a clear and transparent manner. Besides that time period of fully allocate the use of proceeds, and environmental benefits are described. The Issuer defines exclusion criteria for harmful project categories and a look-back period of 3 years for refinancing eligible projects, in line with best market practice.
2. Process for Project Evaluation and Selection	✓	The Process for Project Evaluation and Selection description provided by NZGIF's Green Financing Framework is **aligned** with the GBP and GLP. The project selection process is defined. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer. The Issuer involves various stakeholders in this process, in line with best market practices.
3. Management of Proceeds	✓	The Management of Proceeds proposed by NZGIF's Green Financing Framework is **aligned** with the GBP and GLP. The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds will be tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed per bond (bond-by-bond approach) for multiple Green Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.

		The Issuer discloses the nature of temporary investments, in line with best market practice
4. Reporting	✓	The allocation and impact reporting proposed by NZGIF's Green Financing Framework is **aligned** with the GBP and GLP. The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency[3]. NZGIF explains the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually until the proceeds have been fully allocated.

[3] NZGIF states this information will initially be made only available to investors, since the current programme is a private transaction. NZGIF intends to publicly disclose the framework and SPO when there is a public transaction.

PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN FINANCING INSTRUMENTS TO THE UN SDGs[4]

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories invested in by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.

1. Products and services

The assessment of UoP categories for investing in products and services is based on a variety of internal and external sources, such as the SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for investing in specific products and services is displayed on 5-point scale (see Annex 1 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution

Each of the green financing instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION[4]	SUSTAINABLE DEVELOPMENT GOALS
Cogeneration • *Cogeneration of electricity and heat/cool from renewable sources*	Limited Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Solar energy generation	Significant Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Wind energy generation	Significant Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

[4]The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the issuer's description in the framework.

Ocean energy generation • *Lifecycle GHG emissions below 100gCO2e/kWh*	Significant Contribution	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Hydropower generation (small-scale: < 10MW) • *Power density > 5W/m2 (Facilities built after 2020: > 10W/m2)* • *Run-of-river plant without artificial reservoir* • *Lifecycle GHG emissions below 100gCO2e/kWh (Facilities built after 2020: 50gCO2e/kWh)*	Significant Contribution	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Geothermal generation • *Lifecycle GHG emissions below 100gCO2e/kWh*	Significant Contribution	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Bioenergy generation - Energy-provision from certified biomass • *80% GHG emission reduction compared to fossil fuel baseline; AND* • *Biofuel must be sourced from a sustainable feedstock (the only timber feedstock allowed is waste wood)*	Limited Contribution	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Bioenergy generation - Energy-provision from uncertified biomass • *80% GHG emission reduction compared to fossil fuel baseline; AND* • *Biofuel must be sourced from a sustainable feedstock (the only timber feedstock allowed is waste wood)*	No Net Impact	
Biofuels manufacturing (energy-provision from certified wood-based biomass) • *80% GHG emission reduction compared to fossil fuel baseline; AND* • *Biomass must be either produced from increased yield (without additional land conversion) or produced from land not previously cultivated, or the raw materials must be produced from existing supply chains*	Limited Contribution	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Biofuels manufacturing **(energy-provision from uncertified biomass or first-generation biomass)** • *80% GHG emission reduction compared to fossil fuel baseline; AND*	No Net Impact	

Biomass must be either produced from increased yield (without additional land conversion) or produced from land not previously cultivated, or the raw materials must be produced from existing supply chains		
Biofuels manufacturing **(Production of 2nd generation biofuels – irrespective of certification)** • *80% GHG emission reduction compared to fossil fuel baseline; AND* *Biomass must be either produced from increased yield (without additional land conversion) or produced from land not previously cultivated, or the raw materials must be produced from existing supply chains*	**Limited Contribution**	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Hydrogen manufacturing • *Hydrogen from renewable electricity*[5]	**Significant Contribution**	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Transmission & Distribution • *Aotearoa New Zealand electricity grid infrastructure (including local grid infrastructure)*[6] • *Dedicated infrastructure for electricity from exclusively renewable sources*	**Significant Contribution**	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Transmission & Distribution • *Networks for hydrogen and other low-carbon gases*	**Significant Contribution**	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Energy Storage • *Green hydrogen storage manufacturing facilities*	**Significant Contribution**	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Energy Storage[7] • *Batteries for low-carbon transportation*	**Limited Contribution**	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

[5] The issuer specifies that given the New Zealand grid make-up, this renewable energy is most likely to be hydro, followed by wind, then solar.
[6] Aotearoa New Zealand's renewable electricity generation share was 82.4% in 2019. This is substantially higher than usual market thresholds for green grid infrastructure (around 67%). As such, no numerical threshold was included.
[7] Aotearoa New Zealand's renewable electricity generation share was 82.4% in 2019. This is substantially higher than usual market thresholds for green grid infrastructure (around 67%). As such, no numerical threshold was included. Unless electricity generation reaches 100% from renewable sources, the best rating remain "limited contribution"

Energy Storage • *Batteries for distributed energy storage* • *Grid energy storage*	Significant Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Recycling facilities • *Facilities for collection, sorting and materials recovery (preparation for recycling)* • *Facilities for recycling metals, glass (except aggregate) and paper, when output can be sold as secondary raw materials* • *Batteries recycling* • *Textiles recycling*	Significant Contribution	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Anaerobic digestion facilities • *Total methane emissions <= 1285g CH4/ tonne of waste input.* • *Bio-waste is source segregated and collected separately.* • *Woody waste must be segregated before or after processing and sent to an eligible EfW or composting plant.* • *The solid and liquid products are not landfilled and replace non-waste materials in the market or are used as fertilizer or soil improver (directly or after composting or any other treatment).* • *A monitoring and contingency plan is in place in order to minimize CH4 leakage at the facility.* • *The produced biogas is used directly for the generation of electricity or heat, or upgraded to bio-methane, or used as vehicle fuel or chemical feedstock.* • *The share of food and feed crops used as feedstock, by weight as an annual average, <=10% of total feedstock.*	Significant Contribution	13 CLIMATE ACTION
Composting facilities[8]	No Net Impact	
Landfill with gas capture • *Gas capture >= 75%; AND* • *gas used to generate electricity and input to the natural gas grid or used as vehicle fuel; AND* • *the landfill is not accepting further waste (except for restoration materials)*	Limited Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

[8] This category is assessed with No Net Impact, except for situations where the composting facilities are co-located with recycling facilities, for which the activity is assessed with a significant contribution to SDG 12 (same assessment as recycling activities).

Plastic Recycling • *Facilities for collection, sorting and materials recovery (preparation for recycling)* • *Recycling facilities (including chemical recycling)*	Significant Contribution	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Smart buildings • *LEED Gold Standard or higher, BREEAM Excellent or higher or National Equivalent (for NZ: Green Star (5 stars) or Home Star (6 stars))*	Significant Contribution	11 SUSTAINABLE CITIES AND COMMUNITIES
Smart buildings • *NABERSNZ Energy [5 stars]*	Limited Contribution	11 SUSTAINABLE CITIES AND COMMUNITIES
Demand management • *Equipment to increase the controllability and observability of the electricity system and enable the development and integration of renewable energy sources.* • *Implementation must lead to measurable electricity savings of at least 20%.*	Limited Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Electric / Hybrid Vehicles[9] ▪ *Light-duty vehicles with direct (tailpipe) GHG emissions of <50gCO2e/km before the end of 2025, and zero onwards* ▪ *Two-wheelers with zero direct (tailpipe) GHG emissions*	Significant Contribution	13 CLIMATE ACTION
	Limited Contribution	7 AFFORDABLE AND CLEAN ENERGY
Road public transport / Rail transport[10] ▪ ***Urban, suburban and passenger road transport systems devices with zero direct (tailpipe) GHG emissions*** ▪ ***Trains, passenger coaches and wagons that have zero direct (tailpipe) CO2 emissions***	Significant Contribution	13 CLIMATE ACTION
	Limited Contribution	7 AFFORDABLE AND CLEAN ENERGY
Shipping and marine public transport[11] ▪ ***Inland, sea and coastal passenger and freight transport vessels, not dedicated to***	Significant Contribution	13 CLIMATE ACTION

[9] The issuer confirms this category is aligned with the Substantial Contributions to Climate Change Mitigation criteria for 3.3. Manufacture of low carbon technologies for transport.
[10] Ibid.
[11] Ibid.

transporting fossil fuels, that have zero direct (tailpipe) CO2 emissions ▪ ***Cargo or passenger ships that meet the CBI shipping sector criteria***	Limited Contribution	7 AFFORDABLE AND CLEAN ENERGY
Manufacturing • *Dedicated manufacturing facilities for electric vehicles or PHEV and key components, such as batteries, being used in eligible vehicles*	Limited Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Infrastructure • *Dedicated charging and alternative fuel infrastructure (when separate from fossil fuel filling stations and garages)* • *Dedicated infrastructure for electrified public transport*	Limited Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or "operational impact improvement") resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer.

NZGIF finances operations/processes in third-party sectors which are not listed in the Issuer's Framework. As such, the exposure to negative externalities linked to the sector of the operations/processes financed is not displayed. The externalities, if they exist, could have an impact on the overall sustainability quality of the issuance.

The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT[12]	SUSTAINABLE DEVELOPMENT GOALS

Specific interventions addressing GHG emissions
• *No conversion of high carbon stock lands; AND*
• *The project must either demonstrate:*
  ○ *Climate-aligned % reduction in GHG emissions over investment period; or*
  ○ *following low emissions agricultural best practices*
    ▪ *Use of microorganisms to reduce fertilizers/pesticides or to promote crop growth*
    ▪ *Use of technology for efficient nutrient use in fertilizers*
    ▪ *Precision Agriculture*
    ▪ *Satellite farming or site-specific crop management*
	✓	13 CLIMATE ACTION

Conversion of process heat
• *Replacement of fossil fuel-based heat processing systems by:*
  ○ *Electric systems*
  ○ *Low-carbon alternatives*
	✓	7 AFFORDABLE AND CLEAN ENERGY

Waste Heat • *Production of heat/cool from industrial waste heat*	✓	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

[12] Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

Waste to Energy • *Plant efficiency >= 25%; AND* • *Bottom ash recovery; AND* • *>= 90% recovery of metal from ash; AND* • *Average carbon intensity of electricity and/ or heat over the life of the plant <= waste management allowance; AND* • *The capacity of the plant does not exceed the calculated residual waste at any time in the plant's life.*	✓	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Cogeneration *Cogeneration of electricity and heat/cool from renewable sources -*	✓	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Solar energy generation	✓	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Bioenergy generation - Energy-provision from certified biomass	✓	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Bioenergy generation - Energy-provision from uncertified biomass	-	
Energy Storage ▪ ***Green hydrogen storage manufacturing facilities*** ▪ ***Batteries for low-carbon transportation*** ▪ ***Batteries for distributed energy storage*** ▪ ***Grid energy storage (including hydropower pumped storage, satisfying hydropower generation criteria)***	✓	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Smart buildings *LEED Gold Standard or higher, BREEAM Excellent or higher or National Equivalent (for NZ: Green Star [5 stars])*	✓	11 SUSTAINABLE CITIES AND COMMUNITIES
Smart buildings *NABERSNZ Energy [5 stars]*	✓	11 SUSTAINABLE CITIES AND COMMUNITIES

Electric / Hybrid Vehicles ▪ *Light-duty vehicles with direct (tailpipe) GHG emissions of <50gCO2e/km before the end of 2025, and zero onwards* ▪ *Two-wheelers with zero direct (tailpipe) GHG emissions*	✓	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION
Infrastructure ▪ ***Dedicated charging and alternative fuel infrastructure (when separate from fossil fuel filling stations and garages)*** ▪ ***Dedicated infrastructure for electrified public transport*** ▪ ***Dedicated product or supporting infrastructure for fossil fuel or hybrid vehicles or rolling stock, where the transport mode supported is eligible***	✓	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION
Demand Management ▪ ***Equipment to increase the controllability and observability of the electricity system and enable the development and integration of renewable energy sources.*** ▪ ***Implementation must lead to measurable electricity savings of at least 20%.***	✓	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION
Composting	-	
Transmission & Distribution *Networks for hydrogen and other low-carbon gases*	✓	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA

The table below evaluates the Selection criteria against issuance-specific KPIs. The entirety of the assets are and will be located in New Zealand.

ESG guidelines into investing process

NZGIF has a due diligence process prior to each transaction, including a detailed review of relevant ESG considerations. At an organizational level, this is reflected in policies that require considerations for each potential transaction, with more detailed sector-specific considerations.

This process includes:

- Review of compliance with environmental licenses, laws, and regulations.
- Review of the project operator's compliance with relevant NZ laws (labour, discrimination, equal opportunity, etc.) and review of the project operator's internal ESG policies. In this review process, material weight is placed on compliance with NZ's legal requirements.
- Review of the project operator's wider ESG policies, including HR policies, environmental policies (including net zero commitments), and the ESG policies each operator applies to its own supply chain (i.e., review of the OEM HR and ESG policies).
- Review of any other relevant ESG considerations (including associated ESG activities of the operator).
- Review of the operator's governance, ownership, and management teams, and consideration of any associated reputational risk.

ASSESSMENT AGAINST KPIs	
Health and Safety	
✓	As all assets financed will be located in New Zealand, high health & safety and labour standards are ensured by the relevant national legislation. NZGIF states that it complies with these relevant laws and also requires all its investees to comply with all applicable laws and regulations (which is a covenant in its loan agreements).
Labour standards	
✓	All of NZGIF's investees operate in New Zealand, which has robust employment laws and is rated as "Rating 2" in the ITUC global rights index. The labour practices within the supply chain of NZGIF's investees are considered during due diligence. For example, in the solar sector, key suppliers to its operators are all signatories to the Solar Energy Industry Association Code of Conduct and have their own Human Rights and Code of Conduct policies that apply to their own respective supply chains.
Biodiversity	
✓	NZGIF states that it will comply with relevant national laws that ensure biodiversity protection, including New Zealand's Conservation Act 1987, the Forests Act 1949 and

	the Marine Mammals Protection Act 1978. NZGIF states that it also requires all its investees to comply with all applicable laws and regulations (which is a covenant in its loan agreements).
Community dialogue	
✓	NZGIF states that it will comply with relevant national laws that ensure community dialogue is an integral part of the planning process. It states that the principal legislations relevant to ensure community dialogue considerations are New Zealand's Resource Management Act 1981. As a part of its due diligence process, it will ensure compliance with relevant laws from its investees.
Exclusion criteria	
✓	The Issuer has outlined in its framework specific categories to be excluded for its investment consideration.

PART III: LINKING THE TRANSACTION(S) TO NZGIF'S ESG PROFILE

A. CONSISTENCY OF GREEN FINANCING INSTRUMENTS WITH NZGIF'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

NZGIF is set up to tackle the challenges in Aotearoa, New Zealand's climate finance market. With NZGIF's strategic goals underpinned by its Cabinet-mandated focus on decarbonization, NZGIF's sole purpose is to invest in enabling Aotearoa New Zealand's low carbon future – its constitutional documents impose this purpose on NZGIF, and none of NZGIF's investments can be for a purpose that is not related to emissions reductions. It has no other capital-intensive function, and all its other business operations are to either support carbon emissions reducing or avoidance investments it makes.

NZGIF is committed to transparency in relation to its emissions reductions or avoidance. 100% of the emissions impact of a financed project or Company will be reported and based on the aggregate lifetime reduction estimates.

Through the introduction of NZGIF's Performance and Development Framework, there is an alignment between strategy, team objectives, and individual performance reviews to ensure all of the staff can deliver to their fullest potential on the group strategy. NZGIF also provides support for the continuous learning and development of employees and maintains a Code of Conduct to outline the standard of behavior expected from employees.

Rationale for issuance

Recognizing the role of sustainable finance in supporting the transition to a low-carbon and more resource-efficient economy, NZGIF is putting in place a Green Financing Framework, issuing green financing instruments to support its sustainability strategy and Climate Change objectives.

Opinion: *The Use of Proceeds financed through these green financing instruments are consistent with the Issuer's sustainability strategy and material ESG topics for the Issuer's industry. The rationale for issuing green financing instruments is clearly described by the Issuer.*

B. NZGIF'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer's industry

The Issuer is classified in the Specialized Finance industry, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note that this is not a Company-specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Customer and product responsibility
Labour standards and working conditions
Products and services with social and environmental benefits
Sustainability impacts of lending and other financial services/products

ESG strengths and points of attention related to the Issuer's disclosures

Leveraging ISS ESG's Research, the following strengths and points of attention have been identified[13]:

STRENGTHS	POINTS OF ATTENTION
The Company provides psychological support to its employees, which include access to employee assistance program. Additionally, it also provides flexible working arrangements and work from home (remote) facilities to its employees.	The Company operates in New Zealand, which has high legal standards, thus limiting the risk to its employee's health and safety. The Company has reported having an internal/non-public Health, Safety, and Wellbeing policy that is not publicly disclosed. Further, there is no evidence of the implementation of a health and safety management system.
The Company provides green financial services such as financing low emission vehicles. Additionally, the Company has some application procedures of environmental investment guidelines, that include information on responsibility structure, and portfolio monitoring. Further, the Company's business model provides financial services with high	The Company's mandate focuses exclusively on green funding that supports New Zealand's decarbonisation. However, adding social financial services such as community lending, social housing for vulnerable and/or disadvantaged groups, etc., to its product portfolio could be advantageous because that meets both environmental and social benefits

[13] Please note that NZGIF is not part of the ISS ESG Corporate Rating Universe. Thus, the information is based on a disclosure review conducted by the analyst in charge of the specialized finance industry, based on publicly available information exclusively. No direct communication between the issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.

environmental benefit, supported by themed investment, thus contributing positively to the environmental SDGs.	criteria. There is no indication of provision of social financial services such as community lending, social housing for vulnerable and/ or disadvantaged group, etc.
The Company engages with its shareholders on topics such as climate change response using activities such as direct engagement initiatives.	The Company has not disclosed environmental and social guidelines for lending and investment banking. Further, no information is available on reporting of engagement outcomes and the Company's position to divest engagement activities in case of an unsatisfactory outcome.
	Further, the Company has reported having an internal/non-public IT Security policy. The Company performs risk assessment on its third-party data processors; however, no information is available on contractual requirements, and if the Company monitors and reviews their third-party data processors.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part III.B of the report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, the contribution of the Issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE[14]	DIRECTION OF IMPACT	UN SDGS
Financing of electric vehicles	56%	Contribution	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Financing of renewable energy	26%	Contribution	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Financing of energy efficiency improvements	10%	Contribution	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION

[14] Percentages presented in this table are not cumulative.

Financing of hybrid vehicles	6%	Contribution	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication, no severe controversy in which the Issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the specialised finance industry are as follows: Failure to assess environmental impacts, failure to prevent money laundering, and anti-competitive behaviour.

Please note that this is not a Company-specific assessment but areas that can be of particular relevance for companies within that industry.

DISCLAIMER

1. Validity of the External Review/Second Party Opinion (SPO): Valid as long as the Framework remains unchanged.
2. ISS Corporate Solutions, Inc. ("ICS"), a wholly-owned subsidiary of Institutional Shareholder Services Inc. ("ISS"), sells/distributes Second Party Opinions which are prepared and issued by ISS ESG, the responsible investment arm of ISS, on the basis of ISS ESG's proprietary methodology. In doing so, ISS adheres to standardized procedures to ensure consistent quality of responsibility research worldwide. Information on ISS's methodology is available upon request.
3. Second Party Opinions are based on data provided by the party to whom the Second Party Opinion is provided ("Recipient"). ISS does not warrant that the information presented in this Second Party Opinion is complete, accurate or up to date. Neither ISS or ICS will have any liability in connection with the use of these Second Party Opinions, or any information provided therein.
4. Statements of opinion and value judgments given by ISS are not investment recommendations and do not in any way constitute a recommendation for the purchase or sale of any financial instrument or asset. In particular, the Second Party Opinion is not an assessment of the economic profitability and creditworthiness of a financial instrument, but refers exclusively to the social and environmental criteria mentioned above. Statements of opinion and value judgments given by ISS are based on the information provided by the Recipient during the preparation of the Second Party Opinion and may change in the future, depending on the development of market benchmarks, even if ISS is requested by the Recipient to provide another Second Party Opinion on the same scope of work.
5. This Second Party Opinion, certain images, text and graphics contained therein, and the layout and Company logo of ICS, ISS ESG, and ISS are the property of ISS and are protected under copyright and trademark law. Any use of such ISS property shall require the express prior written consent of ISS. The use shall be deemed to refer in particular to the copying or duplication of the Second Party Opinion wholly or in part, the distribution of the Second Party Opinion, either free of charge or against payment, or the exploitation of this Second Party Opinion in any other conceivable manner.

The Recipient that commissioned this report may have purchased self-assessment tools and publications from ICS or ICS may have provided advisory or analytical services to the Recipient. No employee of ICS played a role in the preparation of this report. If you are an ISS institutional client, you may inquire about any Recipient's use of products and services from ICS by emailing disclosure@issgovernance.com.

This report has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While ISS exercised due care in compiling this report, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research and scores provided are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies.

Deutsche Börse AG ("DB") owns an approximate 80% stake in ISS HoldCo Inc., the holding Company which wholly owns ISS. The remainder of ISS HoldCo Inc. is held by a combination of Genstar Capital ("Genstar") and ISS management. ISS has formally adopted policies on non-interference and potential conflicts of interest related to DB, Genstar, and the board of directors of ISS HoldCo Inc. These policies are intended to establish appropriate standards and procedures to protect the integrity and independence of the research, recommendations, ratings and other analytical offerings produced by ISS and to safeguard the reputations of ISS and its owners. Further information regarding these policies is available at https://www.issgovernance.com/compliance/due-diligence-materials.

ANNEX 1: Methodology

Green KPIs

The Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of NZGIF Green Financing Instruments.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and, therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

Environmental and social risks assessment methodology

The Environmental and social risks assessment evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available or that the information provided did not fulfil the requirements of the Green Bond KPIs.

The evaluation was carried out using information and documents provided on a confidential basis by NZGIF(e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the Issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, the extent to which NZGIF Green Financing Instruments contributes to related SDGs has been identified.

ANNEX 2: Quality management processes

SCOPE

NZGIF commissioned ICS to compile a green financing SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the GBP and GLP and to assess the sustainability credentials of its Green Finance Instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (as of 06.2021)
- LMA Green Loan Principles, as administered by the Loan Market Association (as of 02.2021)
- Key Performance Indicators relevant for the use of Proceeds categories selected by the Issuer

ISSUER'S RESPONSIBILITY

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

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the framework level

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.

This independent Second Party Opinion of the Green Financing instruments to be issued by NZGIF has been conducted based on a proprietary methodology and in line with the ICMA GBP and LMA GLP.

The engagement with NZGIF took place in September 2022 to July 2023.

ISS'' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior 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.

About this SPO

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/

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

For more information on this specific green financing instruments SPO, please contact: SPOOperations@iss-esg.com

Project team

Project lead	Project support	Project supervision
Cecily Liu Associate ESG Consultant	Adams Wong Associate Vice President ESG Consultant	Marie-Bénédicte Beaudoin Associate Director Head of ISS ESG SPO Operations