

# The Treasury

## New Zealand Sovereign Green Bonds Programme Information Release

November 2022

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## Treasury Report: Green Bonds: near-final Framework for submission to independent assurance

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<b>Date:</b>	9 June 2022	<b>Report No:</b>	T2022/1244
		<b>File Number:</b>	DE-10-6-3

### Action sought

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	Action sought	Deadline
<b>Minister of Finance</b> (Hon Grant Robertson)	<b>Agree</b> for the near-final Green Bonds Framework to be submitted for a Second Party Opinion (SPO) (independent assurance)	15 June 2022

### Contact for telephone discussion (if required)

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Name	Position	Telephone	1st Contact
Karina Witty	Project lead, NZ Sovereign Green Bonds	[39]	[35]
Chris White	Head of NZ Sovereign Green Bonds	N/A (wk)	✓

### Minister of Finance's Office Actions

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**Return** the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** Yes  
[NZ Sovereign Green Bond Framework NEAR-FINAL 09.06.22 \(Treasury:4661260v1\)](#)

## Treasury Report: Green Bonds – near-final Framework for submission to independent assurance

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### Purpose of Report

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1. This report provides the near-final New Zealand Sovereign Green Bonds Framework (Framework) for comment.
2. Your feedback is required by 15 June 2022 in order for the Treasury to submit the Framework to the Second Party Opinion (SPO) provider for independent assurance on 20 June 2022.

### Context

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3. In November 2021, Cabinet agreed to establish a New Zealand Green Bond Programme [CAB-21-MIN-0454 refers]. The Treasury has been developing this programme and has provided you with updates on aspects of the programme design [T2022/575 refers].
4. Green bonds are issued with reference to a framework, outlining the issuer's strategy and the basis for identifying, selecting verifying and reporting on expenditures included in the programme.
5. The Framework and accompanying SPO report are the key documents that investors use to inform investment decisions, supported by an investor presentation and direct interaction with New Zealand Debt Management. The Framework provides investors with confidence in the credibility of the issuer and the types of activities their investments are financing, the reporting they can expect, and the governance arrangements for the Green Bonds.
6. Investors expect the Framework to be independently assured through a SPO, confirming alignment with the International Capital Market Association (ICMA) Green Bond Principles 2021. ICMA recommends that issuers obtain a SPO for their Framework and it is seen as integral for a successful green bond issuance.

### Key aspects of the Framework

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7. Governments' issuing green bonds have adopted a standard structure when developing a green bond framework:
  - a **Introduction** – high-level overview of the government's climate and environmental commitments, strategy, policies and actions.
  - b **Framework** – describes at a high level how the issuer intends to apply each of the four core components of the ICMA Green Bond Principles 2021 (further detail below).
  - c **External Review and Assurance** – detail on who provided the SPO on the framework, a summary of the opinion, and ongoing external assurance commitments.
  - d **Amendments** – describes how and when the framework will be amended.
  - e **Disclaimer** – legal disclaimers and considerations.

8. In developing the Framework we have followed the four core components of the ICMA Green Bond Principles 2021:
  - a **Use of proceeds** categories, also called green categories, which are broad categories of different types of expenditures included, or intended to be included, in the programme.
  - b **Project evaluation and selection**, which outlines the process and criteria to determine the expenditures for inclusion in the pool of eligible green expenditures.
  - c **Management of proceeds**, which outlines the approach for allocating the net proceeds of the bond issuance to the pool of eligible green expenditures.
  - d **Reporting**, which outlines the approach for allocation and impact (output and outcome) reporting to investors.

## External review and assurance

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9. The SPO will review the Framework and green categories for their alignment with industry practice and investor expectations, and provide opinions on:
  - a alignment of the Framework with the ICMA Green Bond Principles (2021)
  - b the credibility and anticipated positive impacts of the use of proceeds, and
  - c the alignment of the issuer's environmental strategy and performance and the sustainability of risk management in relation to the use of proceeds.
10. The SPO will remain valid until significant changes to the Framework are made.

## Stakeholder consultation

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11. In developing the Framework we have consulted with key Treasury teams and partner agencies<sup>1</sup> to ensure the Framework is broadly representative and that there is high-confidence that the included example eligible expenditures and indicative impact measures are appropriate.
12. We have worked closely with our Joint Structuring Advisors (JSAs), Bank of New Zealand and Deutsche Bank, in the development of the Framework, who have provided important investor and international perspectives. The JSAs endorse the Framework proceeding to the SPO stage. We are also working closely with our internal and external legal advisors, who have reviewed the Framework.

## Next Steps

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13. We expect the SPO process to result in some changes to the Framework. We will provide you with an updated, final version of the Framework prior to Cabinet consideration in August 2022.
14. After Cabinet consideration, the Framework, alongside the SPO and Investor Presentation, will be publicly launched in September 2022 (timing to be confirmed). We expect investor engagements to run for several weeks, [37]

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<sup>1</sup> MfE, MoT, Waka Kotahi, EECA, HUD, MBIE, MPI, MFAT, DOC, DIA, NZGIF, CIP

15. The full list of eligible expenditures will be developed in parallel with the SPO process and endorsed by the Green Bond Committee (cross agency governance group) in parallel with Cabinet approving the final framework.

## Recommended Action

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We recommend that you:

- a **note** the Green Bonds Framework outlines New Zealand's climate and environmental strategy, and sets out the basis for identifying, selecting, verifying and reporting on expenditures included in its green bond programme
- b **agree** for the near-final New Zealand Sovereign Green Bonds Framework to proceed for a Second Party Opinion (SPO), to provide independent assurance

*Agree/disagree.*

Minister of Finance

- c **note** you will receive the final Green Bonds Framework for approval, incorporating any changes as a result of the SPO process, ahead of seeking Cabinet's endorsement of the Framework in August 2022
- d **note** the Green Bonds Programme remains on track to publicly launch the Framework in September and then undertake investor presentations, [37] and
- e **refer** a copy of this report and Green Bonds Framework to the Climate Response Ministerial Group.

*Refer/not referred.*

Minister of Finance

Chris White  
**Head of NZ Sovereign Green Bond Project**

Hon Grant Robertson  
**Minister of Finance**