

# Kāinga Ora

**Type of Engagement:** Annual Review

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## Introduction

Between July 2020 and October 2022, Kāinga Ora issued Wellbeing<sup>1</sup> Bonds aimed at financing project expenditures that help improve the environmental impact of Kāinga Ora’s public housing portfolio while increasing access to social housing in New Zealand. In 2023, Kāinga Ora engaged Sustainalytics to review the projects financed with proceeds from the Wellbeing Bonds and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Kāinga Ora Sustainability Financing Framework 2022<sup>2</sup> (the “Framework”). Sustainalytics has provided a second-party opinion in 2021 and an update to it in September 2022<sup>3</sup>. This is Sustainalytics’ third annual review letter following previous annual reviews in 2022<sup>4</sup> and 2021.

## Evaluation Criteria

Sustainalytics evaluated the projects funded with the proceeds from the Wellbeing Bonds for the reporting period between July 2022 and June 2023 based on whether they:

1. Met the use of proceeds and eligibility criteria outlined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category of the Framework.

**Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs**

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Green Buildings	New construction and/or retrofit of public housing that has, or will receive, minimum 6 Homestar rating <sup>5,6</sup> .	<ul style="list-style-type: none"> <li>• Green certifications obtained</li> <li>• Materials sourced sustainably (including certified products, recycled content) (%)</li> <li>• Energy/CO<sub>2</sub> savings from new green buildings</li> </ul>
Pollution Prevention and Control	Reduction of construction waste through: <ul style="list-style-type: none"> <li>• standard designs for standard material sizes and selective material types that reduce construction waste</li> <li>• deconstruction services and waste management to recycle and reuse deconstruction waste</li> </ul>	<ul style="list-style-type: none"> <li>• Amount of waste reduced, reused, recycled and/or diverted from landfill (tonnes)</li> <li>• Percentage or number of existing Kāinga Ora homes relocated to make way for new redevelopments</li> </ul>

<sup>1</sup> Wellbeing Bonds are sustainability bonds that are also aligned with the New Zealand Living Standards Framework (LSF). The LSF was developed by the New Zealand Treasury to measure and analyze intergenerational well-being.

<sup>2</sup> Kāinga Ora, “Sustainable Finance Framework”, (2022), at: <https://kaingaora.govt.nz/assets/Investors-Centre/Documents/Sustainability-Financing-Framework.pdf>

<sup>3</sup> Kāinga Ora, “Second Party Opinion Kāinga Ora Sustainable Finance Framework”, (2022), at: <https://kaingaora.govt.nz/assets/Investors-Centre/Documents/Second-Party-Opinion.pdf>

<sup>4</sup> Sustainalytics, “Kāinga Ora Annual Review”, at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/kainga-ora-annual-review-2022.pdf?sfvrsn=82496c84\\_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/kainga-ora-annual-review-2022.pdf?sfvrsn=82496c84_1)

<sup>5</sup> New Zealand Green Building Council, “Sustainable, green homes and buildings for happier, healthier New Zealanders”, at: <https://www.nzgbc.org.nz/>

<sup>6</sup> Most Kiwi homes would only achieve a 2-3 on the Homestar rating scale. A new home designed and built to today’s Building Code would achieve around a 3-4 on the Homestar scale.

	<ul style="list-style-type: none"> <li>• use of materials that reduce waste and/or have recycled content</li> </ul>	
Affordable Housing	<ul style="list-style-type: none"> <li>• Development of new public housing</li> <li>• Retrofit of existing public housing, including upgrades to provide better health and wellbeing outcomes for tenants</li> <li>• Development and modification of units (public and supported housing) for accessibility, mobility, and intensive support</li> </ul>	<ul style="list-style-type: none"> <li>• Number of people housed with new and/or retrofitted public housing accommodation</li> <li>• Number of homes modified for accessibility or mobility</li> <li>• Number of supported homes delivered</li> <li>• Number of homes retrofitted</li> </ul>
Socio-Economic Advancement	<p>Supporting equitable market participation and reduction in income inequality through:</p> <ul style="list-style-type: none"> <li>• Providing apprenticeship and training opportunities in the construction programme</li> <li>• Ensuring local businesses are fairly represented in supplier base, with particular focus on Māori- and Pasifika-owned businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Number of apprenticeships enabled by construction programme</li> <li>• Percentage of apprentices who identify as Maori or Pasifika</li> <li>• Percentage of construction expenditure attributed to Māori/Pasifika-owned businesses</li> </ul>

## Issuer's Responsibility

Kāinga Ora is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from Kāinga Ora's Wellbeing Bonds. The work undertaken as part of this engagement included collection of documentation from Kāinga Ora and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by Kāinga Ora. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by the Organisation

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>7</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. Kāinga Ora has disclosed to Sustainalytics that the proceeds from the Wellbeing Bonds were fully allocated as at January 2023.

<sup>7</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the projects funded with proceeds from the Wellbeing Bonds for the reporting period between July 2022 and June 2023 to determine if projects aligned with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded with proceeds from the Wellbeing Bonds for the reporting period between July 2022 and June 2023 to determine if impact of projects was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

## Appendices

### Appendix 1: Allocation Reporting by Eligibility Portfolio

Sustainalytics notes that allocation reporting was performed on a portfolio basis. 100% of allocations were used to finance new projects for the reporting period between July 2022 to June 2023, and no projects were refinanced.

**Table 3: Detailed Proceed Allocation**

Proceed Allocation	Allocation Amount (NZD millions)
Unallocated proceeds carried over from July'21 – June'22	1,170
Total proceeds raised in July'22 – June'23	350
Total proceeds available and allocated in July'22 – June'23	1,520
Total proceeds unallocated	0

**Table 4: Proceeds allocated as per eligible portfolio**

Eligible Portfolio	Allocation Amount (NZD millions)	Allocation Percentage
Public Housing <sup>8</sup>	1,452.8	95.6
Supported Housing <sup>9</sup>	67.2	4.4
<b>Total Allocation</b>	<b>1,520</b>	

<sup>8</sup> Public Housing portfolio covers housing for people in the greatest need for the duration of that need.

<sup>9</sup> Supported Housing portfolio is for providing short-term housing for families who do not have anywhere to live and have an urgent need for a place to stay.

## Appendix 2: Impact Reporting by Eligibility Criteria

Table 5: Detailed Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Impact Reported <sup>10</sup> by Eligibility Criteria
<b>Green Buildings</b>	275 green building homes to minimum 6 Homestar Rating were delivered <sup>11</sup>
<b>Pollution Prevention and Control</b>	10,899 tonnes of waste diverted (Auckland region)
	84% reduction of waste related (Auckland region)
	26 houses were relocated which equates to about 16% of houses removed from redevelopment sites
<b>Affordable Housing</b>	5,553 people provided with affordable housing
	102 supported houses delivered
	332 homes retrofitted
	69 facilities modified for mobility/accessibility
<b>Socio-Economic Advancement</b>	58 apprenticeships enabled by the construction programme

<sup>10</sup> The table covers impacts reported for the programs for the reporting period between July '22 to June'23.

<sup>11</sup> Kāinga Ora has communicated that between July'22 to June'23, 275 units received a minimum 6 Homestar Rating. This number may get revised as more units are in the process of getting accredited.

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