



Kāinga Ora – Homes and Communities

Sustainable Finance Impact Report

2021/22



About this report

The Kāinga Ora Sustainable Finance Impact Report 2021/22 is for the year ended 30 June 2022.

The purpose of this report is to provide transparency to bondholders and other stakeholders on how our bond proceeds are used and the impacts they are having, in line with the requirements for green, social, and sustainability bonds established by the International Capital Markets Association (ICMA).

More broadly, the report explores our sustainability journey, with a focus on recent developments in this space. We report on our set of impact metrics as well as more qualitative impacts, described through case studies.

This document should be read in conjunction with the [Kāinga Ora Sustainable Finance Framework](#), which outlines our approach to sustainable finance in further detail.

This report and supporting framework are only available in electronic format on the [Kāinga Ora Investor Centre](#).

Contents

Section 1 – Summary

Foreword	01
At a glance	02

Section 2 – Sustainable Finance Framework

Framework summary	04
Eligible categories	05

Section 3 – Bond programme

Wellbeing Bonds	07
Issuance table	08

Section 4 – Allocation of proceeds

Allocation summary	10
Portfolio and category allocation	11

Section 5 – Sustainable impacts

Measured impacts	13
Green buildings	14
Affordable housing	22
Socioeconomic advancement and empowerment	23
Pollution prevention and control	25

Section 6 – External review

Sustainalytics annual review	27
------------------------------	----

Foreword



Matthew Needham
Chief Financial Officer

Tēnā koutou

At Kāinga Ora we are proud to be at the forefront of sustainable finance in New Zealand. Sustainability is not just a label for us; we work hard to live our values and embed it as part of our every day lives. This way we not only help provide warm, dry homes for vulnerable New Zealanders, but help broaden our influence on the construction sector and beyond for positive change.

Kāinga Ora is delivering the largest public housing build programme in decades and the largest urban regeneration ever undertaken in New Zealand. To ensure we maintain momentum and continue to deliver much-needed housing, significant investment is required at a time when construction headwinds and challenging market conditions are seeing substantial cost increases. We strongly believe that as a long-term asset holder, we must continue to invest in new homes or enhance existing homes, regardless of the economic environment.

Through our Wellbeing Bonds, Kāinga Ora has financed capital expenditure since 2018, enabling us to accelerate our build programme and Government initiatives for customer wellbeing, delivering green buildings and building for climate change. Sustainability is deeply embedded within our asset management and customer programme strategies.

FY2021/22 was a challenging year, with ongoing supply chain disruptions, COVID-19 lockdowns and increasing inflation both domestically and internationally. Despite this, we successfully issued \$2.24 billion of Wellbeing Bonds in the New Zealand debt capital market to support the building of new homes and progress our sustainability programmes. A selection of these programmes, including a new carbon reporting tool, our apprenticeship programme, and sustainable waste reduction, are discussed later in the report.

This year's Impact Report and Sustainable Finance Framework have taken the next step forward, evolving to recognise the whole-of-lifecycle outcomes integrated across green and social expenditure. This not only ensures intergenerational and environmental asset stewardship but continues to push Kāinga Ora to be transformative for the wellbeing of New Zealanders.

We hope this Impact Report provides a helpful insight into sustainability at Kāinga Ora and welcome any questions or feedback. ■

FY2021/22 at a glance

Proceeds raised: \$2.24 billion across two syndications and 10 monthly bond tenders



+8,767
people housed

AFFORDABLE HOUSING



142
apprenticeships
started

SOCIOECONOMIC ADVANCEMENT



Image: High and White Streets, Rangiora, Christchurch



+838
homes delivered
to 6 Homestar rating

GREEN BUILDINGS



Image: Bader Drive, Māngere, Auckland



87%
waste diversion
percentage
(Auckland Region)

POLLUTION PREVENTION

Sustainable Finance Framework

Every day, Kāinga Ora works to provide public housing and contribute to the wellbeing of more than 186,000 customers living in Kāinga Ora homes. We provide our customers with warm, dry and safe homes, but we also work with our customers to help them live well in our homes, with dignity and stability, in connected communities.

The Kāinga Ora – Homes and Communities Act 2019 outlines the two key roles for our organisation:

Being a world-class public housing landlord

Partnering with the development community, Māori, local and central government and others on urban development projects

Our success in those roles can be defined by our six outcomes:



Customer wellbeing



Thriving communities



Environmental wellbeing



Māori aspirations



System transformation



Housing access



Framework summary

In order to achieve our six outcomes, Kāinga Ora raises Wellbeing Bonds to fund eligible portfolios of sustainable activities, focused on delivering housing and urban development projects.

Wellbeing Bonds are a use-of-proceeds instrument that falls under the Kāinga Ora Sustainable Finance Framework. 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)**.

Each Wellbeing Bond aligns with five core components as set out in the Framework:

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



Further information on the Framework can be found on our [website](#).

Eligible categories

In order for a portfolio to be eligible, it must contribute to at least one of the ICMA Sustainability Bond Guidelines (SBG) eligible categories. At 30 June 2022, the categories relevant for Kāinga Ora include the following:

Kāinga Ora Sustainable Finance Framework eligible categories

SBG eligible categories	SDG alignment	SDG target	LSF alignment
 Affordable housing Social		Target 11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services	<ul style="list-style-type: none"> • Financial and physical capital • Social cohesion
 Socioeconomic advancement and empowerment Social		Target 10.2 By 2030, empower and promote the social, economic and political inclusion of all	<ul style="list-style-type: none"> • Human capability • Social cohesion
 Green buildings Green		Target 7.3 By 2030, double the global rate of improvement in energy efficiency	<ul style="list-style-type: none"> • Financial and physical capital • Social cohesion
 Pollution prevention and control Green		Target 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	<ul style="list-style-type: none"> • Human capability • Social cohesion

Bond programme



Wellbeing Bonds

Issuance summary

Kāinga Ora issued \$2.24 billion of Wellbeing Bonds in FY2021/22, increasing the total supply of Wellbeing Bonds in the market to \$7.24 billion. The Wellbeing Bond Programme consisted of monthly bond tenders, supplemented by larger syndicated transactions.

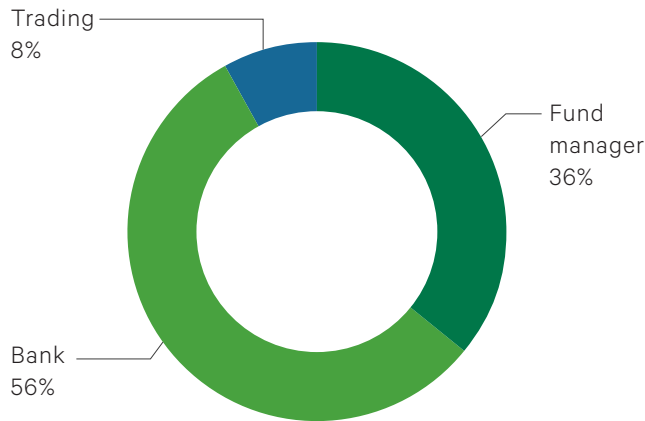
During the year, \$990 million was issued as part of the monthly bond tender programme. These tenders were generally well supported, with a coverage ratio on average close to 2.8 times, despite a pullback in general investor sentiment due to global pressures and inflationary backdrop. Monthly tenders provide regular supply, catering for a growing investor base.

Kāinga Ora issued the remaining \$1.25 billion through syndicated transactions in the second half of the financial year. The first of these was \$450 million of additional April 2030 maturity Wellbeing Bonds in mid-February. A further \$800 million was issued in April, with the debut of a new 5.5-year October 2027 maturity.

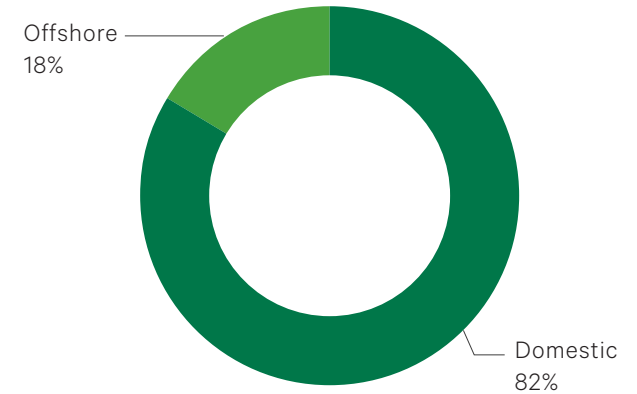
The syndicated transactions received good offshore support at about 18 percent, with growing engagement from global ESG fund managers. The new October 2027 bond was particularly attractive to domestic bank balance sheets, although fund managers were also a valuable contributor to demand.

Syndicated transactions statistics (2021/22)

Investor type

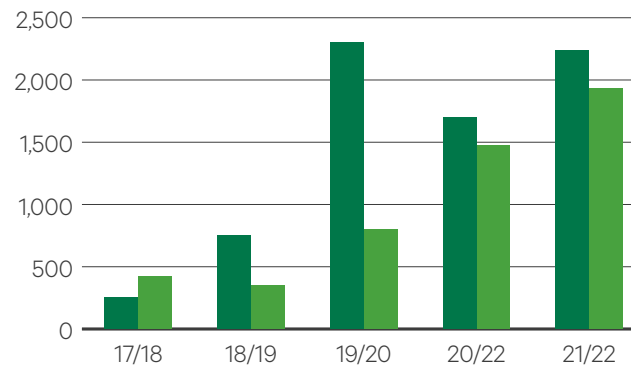


Geographical participation

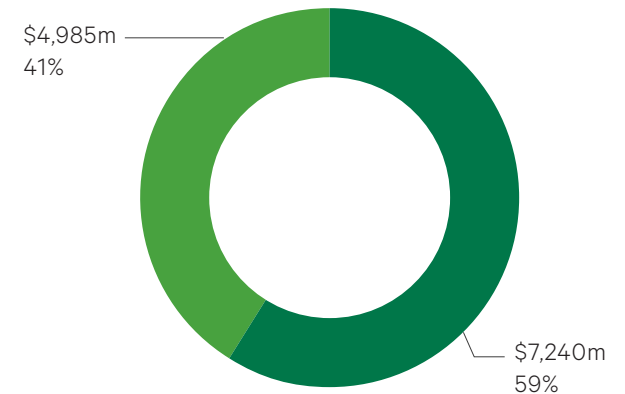


Use of Proceeds Bonds – New Zealand Market (2017/18 – 2021/22)

Bond issuance by year



Total bond issuance



● Kāinga Ora Wellbeing Bonds ● Other ESG Issuers (NZD)

Issuance table

A summary table of all Wellbeing Bonds issued in FY2021/22:

Issued	Maturity	Transaction type	Volume (\$m)	Coupon	Yield	ISIN
21 Jul 2021	12 Jun 2025	Tender	50	3.36%	1.36%	NZHNZD0625L3
21 Jul 2021	18 Oct 2028	Tender	50	3.42%	1.78%	NZHNZD0628L7
25 Aug 2021	12 Jun 2025	Tender	50	3.36%	1.62%	NZHNZD0625L3
25 Aug 2021	5 Oct 2026	Tender	50	2.25%	1.79%	NZHNZD0001L7
22 Sep 2021	12 Jun 2025	Tender	50	3.36%	1.81%	NZHNZD0625L3
22 Sep 2021	18 Oct 2028	Tender	50	3.42%	2.16%	NZHNZD0628L7
20 Oct 2021	12 Jun 2025	Tender	50	3.36%	2.39%	NZHNZD0625L3
20 Oct 2021	5 Oct 2026	Tender	50	2.25%	2.55%	NZHNZD0001L7
17 Nov 2021	12 Jun 2025	Tender	50	3.36%	2.78%	NZHNZD0625L3
17 Nov 2021	5 Oct 2026	Tender	50	2.25%	2.89%	NZHNZD0001L7
8 Dec 2021	5 Oct 2026	Tender	50	2.25%	2.73%	NZHNZD0001L7
8 Dec 2021	24 Apr 2030	Tender	50	2.18%	2.90%	NZHNZD0230L2
19 Jan 2022	5 Oct 2026	Tender	50	2.25%	2.83%	NZHNZD0001L7
19 Jan 2022	18 Oct 2028	Tender	50	3.42%	2.99%	NZHNZD0628L7
16 Feb 2022	24 Apr 2022	Syndication	450	2.18%	3.40%	NZHNZD0230L2
23 Mar 2022	12 Jun 2025	Tender	50	3.36%	3.57%	NZHNZD0625L3
23 Mar 2022	5 Oct 2026	Tender	40	2.25%	3.67%	NZHNZD0001L7
20 Apr 2022	12 Jun 2025	Tender	50	3.36%	3.94%	NZHNZD0625L3
20 Apr 2022	18 Oct 2028	Tender	50	3.42%	4.16%	NZHNZD0628L7
28 Apr 2022	15 Oct 2027	Syndication	800	4.42%	4.42%	NZHNZD0008L2
22 Jun 2022	18 Oct 2028	Tender	50	3.42%	4.72%	NZHNZD0628L7
22 Jun 2022	24 Apr 2030	Tender	50	2.18%	4.84%	NZHNZD0230L2

Term sheets for each syndicated transaction are available on the [Kāinga Ora Investor Centre](#).

Allocation of proceeds



Allocation summary

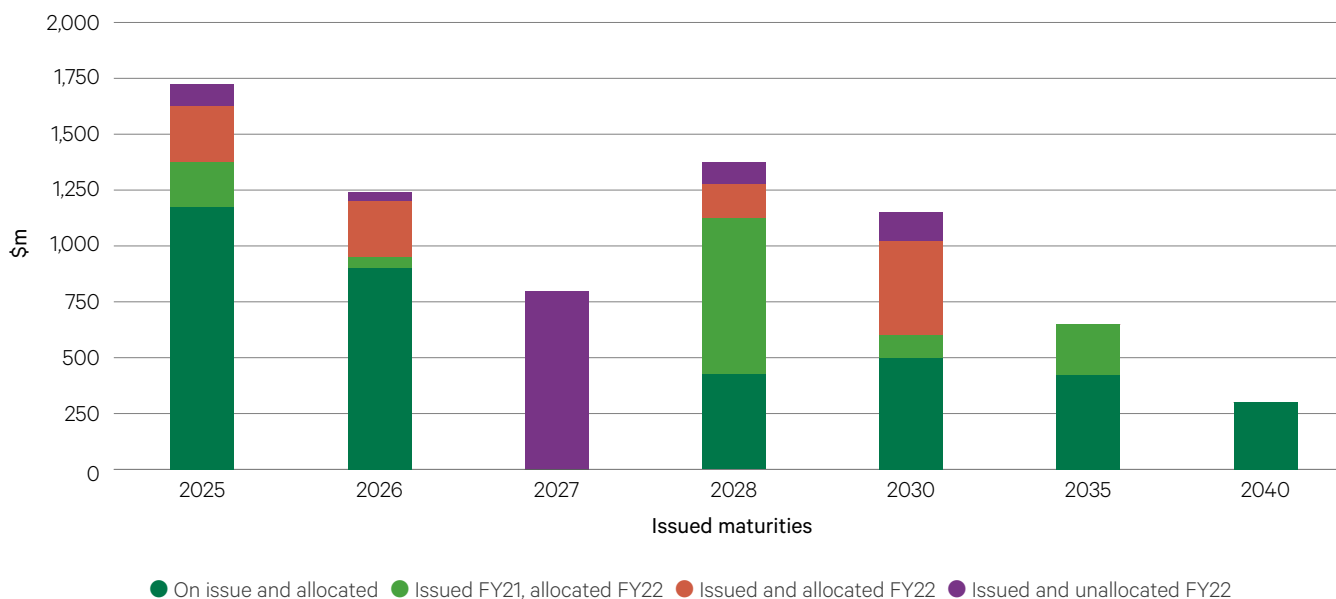
Unallocated proceeds from last year (FY2020/21)	+	Proceeds raised this year (FY2021/22)	=	Total proceeds available for allocation (FY2021/22)	-	Proceeds allocated this year (FY2021/22)	=	Proceeds to be allocated next year (FY2022/23)
\$1.28b		\$2.24b		\$3.52b		\$2.35b		\$1.17b

A total of \$3.52 billion of proceeds were available to allocate in FY2021/22. This consisted of \$2.24 billion of proceeds raised during the financial year and the remaining \$1.28 billion of unallocated pre-financing from FY2020/21.

The impact of COVID-19, including lockdowns, supply chain disruption and labour shortages, continued to affect the Kāinga Ora capital build programme during FY2021/22, leading to lower-than-forecast eligible capital expenditure. The pool of eligible capital expenditure in FY2021/22 was \$2.35 billion.

The unallocated proceeds from FY2020/21 were fully allocated, and \$1.07 billion of FY2021/22 proceeds were allocated. Unallocated proceeds of \$1.17 billion will be carried forward to the next reporting period. These are expected to be fully allocated in FY2022/23.

Wellbeing Bonds maturity profile



Portfolio and category allocation

Portfolio allocation

The \$2.35 billion allocated in FY2021/22 was allocated across the three eligible portfolios outlined in the Framework: Public housing, Supported housing, and Urban development and regeneration. A more complete description of the different portfolios can be found in the [Framework](#).

The vast majority (\$1.62 billion, 69 percent) was allocated to Public housing, which primarily includes the development of new, green, public homes. This portfolio also includes retrofitting existing public homes and acquiring new housing from developers as well as other existing homes.

\$350 million was allocated to Supported housing, which is focused on providing short-term housing for those in need.



\$385 million was allocated to Urban development and regeneration. The spending in this portfolio includes the remediation and preparation of land, enabling it to be used for the building of future public, market and affordable housing.

Eligible portfolio	Allocation (\$m)	Allocation percentage
Public housing	1,616.9	69%
Supported housing	349.5	15%
Urban development and regeneration	384.9	16%
Total eligible capital expenditure	2,351.3	

Category allocation

Within the total of \$2.35 billion allocated in FY2021/22, \$1.31 billion (56 percent) was allocated under the Sustainability category. This category includes work across all four of our eligible categories. This spending is not easily separable to be able to allocate to any one category (see the [Framework](#) for a more complete explanation).

The remaining \$1.04 billion (44 percent) was allocated solely under the Social category. More specifically, this relates to expenditure that falls only under the Affordable housing eligible category.

Category	Allocation (\$m)	Allocation percentage
Sustainability 	1,310.3	56%
Social 	1,041.0	44%





Sustainable impacts

Section outline

	Measured impacts across all four categories	13
	Green buildings	
	Roadmap: Turning our aspirations into targets	14
	Reducing carbon emissions: Bader Ventura Passive House project update	16
	What gets measured gets managed: Carbon Measurement and Reporting Project	17
	Taking a more comprehensive environmental approach: Urban development in New Zealand	19
	Affordable housing	
	Understanding our impact: Eastern Porirua longitudinal study	22
	Socioeconomic advancement and empowerment	
	Enabling employment: Apprenticeship Programme	23
	Empowering communities: Social procurement framework	24
	Pollution prevention and control	
	Better outcomes through sustainable site clearance	25

Measured impacts



Category	Impact	2020	2021	2022
 Green buildings	Homes delivered to 6 Homestar rating ¹	+ 210	+ 1010	+ 838
 Affordable housing	People housed	+ 13,735	+ 10,947	+ 8,767
	Supported houses added	+ 220	+ 640	+ 609
	Homes retrofitted	+ 133	+ 271	+ 288
	Mobility/accessibility modifications made	+ 181	+ 320	+ 227
 Socioeconomic advancement and empowerment	Apprenticeships started			142
 Pollution prevention and control	Waste diversion percentage (Auckland Region)		87%	87%
	Waste diversion tonnes (Auckland Region)		13,467	20,825
	Homes relocated			55
	Percentage of homes relocated ²			10%

1. Homes delivered represents the number of units that have completed the certification process. Figures subject to revision as the process for 6 Homestar certification can take significant time.

2. Percentage of total homes removed from redevelopment sites.

Green buildings



Roadmap: Turning our aspirations into targets

Kāinga Ora will publish our first Emissions Reduction Plan by December 2023, as required by the Carbon Neutral Government Programme (CNGP). The plan will establish our 2030 emissions reduction targets and set out strategies to reduce our material greenhouse gas emissions in line with a 1.5°C pathway.

The plan separates our operations into five emissions sources:

Category	Description	Requirement
Corporate	Emissions from our day-to-day corporate activities, such as fuel and electricity use in offices, and business travel.	Measuring and reduction is mandatory under the CNGP.
Embodied construction	Emissions associated with the construction, maintenance and disposal of our buildings.	
Infrastructure	Emissions produced from the sourcing, transport, installation and disposal of materials used in our urban development sites.	Measuring and reduction is required under the CNGP as these are material emissions sources.
Building operational	Emissions generated as a result of customer energy and water use within our homes.	
Transport	Emissions resulting from the transport activities of our customers.	Reduction required by the Kāinga Ora – Homes and Communities Act 2019. This sets out the objective of Kāinga Ora to contribute to sustainable, inclusive and thriving communities that sustain or enhance the overall economic, social, environmental and cultural wellbeing of current and future generations.

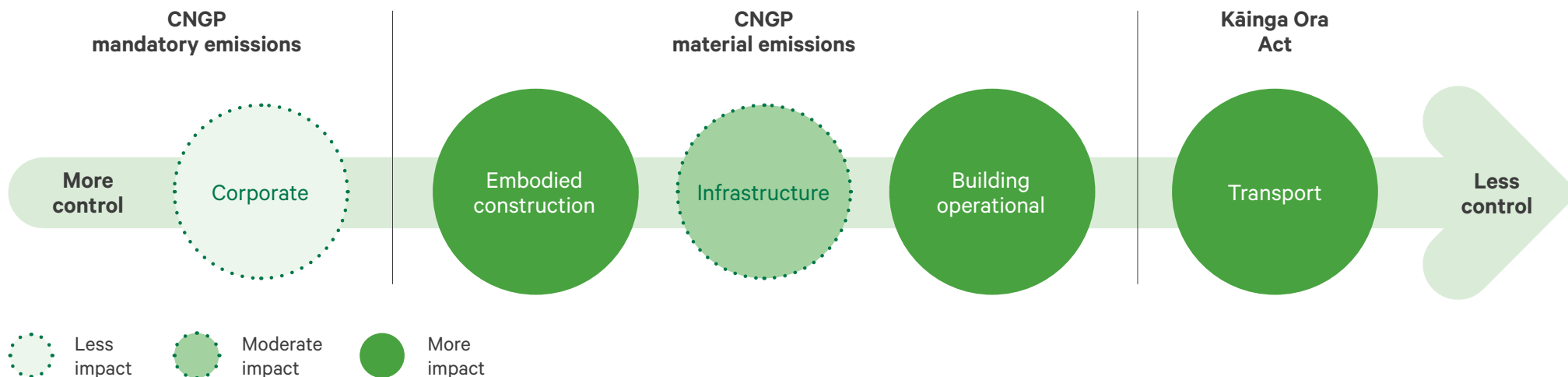
Kāinga Ora has varying levels of control and potential for impact over each emissions source. For example, customer transport generates significantly more emissions than our construction programme. However, while we can directly reduce embodied construction emissions by using lower-carbon materials, we can only influence customer transport behaviour through our initiatives.

We are undertaking detailed modelling to understand how different strategies will affect our overall emissions profile. First we must understand the carbon impact of our current building techniques before then developing new methods to apply to our future construction.

To develop this understanding, Kāinga Ora has a Carbon Measurement and Reporting Project under way (this project is discussed in more detail on page 7). These tools will assist in designing reference buildings, using software to model their lifecycle emissions and applying these findings across our portfolio and expected pipeline. For infrastructure and transport emissions, this involves using our Neighbourhood Emissions Assessment Tool to analyse a number of sites with different characteristics.

The Emissions Reduction Plan will also seek to explore the costs associated with the proposed reduction strategies and any barriers to operationalising these strategies.

Level of control and impact potential for emissions sources



Reducing carbon emissions: Bader Ventura Passive House project update

Bader Ventura is the first Passive House pilot development for Kāinga Ora and the first development in our Carbon Neutral Housing Programme that is under construction. Bader Ventura is also on track to become Australasia's first Passive House (Passivhaus) public/social housing funded by central government.

Bader Ventura, part of our large-scale Mangere Development, will deliver 18 three-storey homes to Passive House standard. This delivers both environmental and social outcomes by significantly reducing electricity use and bills, hereby assisting our customers' financial wellbeing.

Bader Ventura will deliver a reduced operational carbon footprint of more than 70 percent and around an 85 percent reduction in heating costs for occupants. These significant benefits mean occupants will have annualised heating and cooling costs of around \$1 per day and will enjoy comfortable year-round temperatures and fresh filtered air.

Construction is well under way, with a number of innovative new approaches to the way we construct and deliver houses, including:

- ground remediation using new double-auger stone columns to prepare the challenging geology of the site to take the weight of the three-level walk-up buildings
- off-site-manufactured concrete foundations – brought finished to site and joined with on-site concrete work
- specification of low-carbon concrete incorporating a fly ash substitute to reduce the carbon content by up to 20 percent
- off-site-manufactured concrete sandwich panels – with insulation and high-performance windows pre-installed and trucked to site for installation
- great attention to detail and a collaborative partnership approach in the design and engineering to overcome thermal bridging issues and pass the stringent standards required by Passive House certification.

The development is a big step for Kāinga Ora towards meeting the Ministry of Business, Innovation and Employment (MBIE) Building for Climate Change 2035 proposed final thermal performance cap 12 years ahead of industry expectation. The project is a pilot development for Kāinga Ora, and we will undertake continuous reporting of performance and learnings throughout construction and post occupancy, sharing findings with the wider industry.

Bader Ventura selected as Beacon Project for Construction Sector Accord

We are proud that Bader Ventura has been selected as a Beacon Project by MBIE's Construction Sector Accord. The Accord is a shared commitment between the New Zealand Government and the construction industry to transform the sector towards a productive, resilient and sustainable sector. The Accord's Beacon Projects are exemplars of innovation and transformation in action.

With Kāinga Ora being the largest government-funded developer/urban regeneration agency operating in the construction industry, we play a critical role in fulfilling the commitments made by the New Zealand Government to the industry and its transformation, with a particular emphasis on sustainability.



What gets measured gets managed: Carbon Measurement and Reporting Project

To deliver the Kāinga Ora Emissions Reduction Plan's decarbonisation targets, the public and supported housing construction programme requires a means of measuring, reporting and designing carbon out of the homes we build – in carbon accountancy, what gets measured gets managed, and in construction, what gets measured gets built.

This confirmed the need to initiate the Kāinga Ora Carbon Measurement and Reporting Project. This project, a joint initiative across a wide range of business groups within our organisation, aims to deliver a solution to the carbon problem: how does Kāinga Ora design carbon out of our homes?

Why are we doing this?

The Carbon Measurement and Reporting Project is also a response to a growing and diverse set of government legislative and policy requirements to decarbonise buildings and construction:

- [Carbon Neutral Government Programme](#)
- [Building for Climate Change programme \(BfCC\)](#)
- [New Zealand Government Procurement Guide to Reducing Carbon Emissions in Building and Construction](#)

All three initiatives require whole-building lifecycle carbon assessments (commonly abbreviated to LCA but applied to a building) to be conducted in accordance with established international best-practice standards. Compliance with these standards is critical for achieving consistency and trustworthiness in the declared carbon impact for our corporate emissions reporting.

This challenge of integrating lifecycle carbon reporting into the public and supported housing build programme increases when overlaying the size and diversity of the Kāinga Ora construction programme and the immaturity of the New Zealand construction sector to deliver this service. Unique to Kāinga Ora is the need for these outcomes to be realised on projects working with all members of the construction sector – not just large architecture or engineering firms or on projects of national significance or high-end architecture.

Accepting and responding to this challenge is a fundamental Kāinga Ora value, transforming the construction sector by leading thought and action. In the building lifecycle carbon field, the Kāinga Ora Carbon Measurement and Reporting Project aims to bring Kāinga Ora on par with leading countries such as Norway, Sweden, Denmark, Finland and the Netherlands, which are already completing LCA at scale through their national building standards.



What are we doing?

The Kāinga Ora Carbon Measurement and Reporting Project consists of two primary workstreams: the development and delivery of a tool that will be used to measure and report the lifecycle carbon impact of construction and then the integration into the design and delivery process of Kāinga Ora homes.

With industry transformation in mind, the Kāinga Ora Carbon Measurement and Reporting Project is not developing its own tool. We want a solution that we can make available to the wider residential building sector so the delivery of low-carbon buildings can scale beyond our own developments to all of New Zealand via the BfCC Programme. For this reason, the Kāinga Ora Carbon Neutral Housing Programme is partnering with an existing vendor to develop a solution that combines our construction knowledge, intellectual property and data management systems. This will support

low-carbon decision making during design and measure and report carbon for all new construction reliably and efficiently.

Compliance via measurement and reporting is only the first step. The Carbon Measurement and Reporting Project is working towards integrating carbon modelling, energy modelling and other sustainability assessments into the new way of working Kāinga Ora is developing for its next generation of building designs/plans.

Timeline and next steps

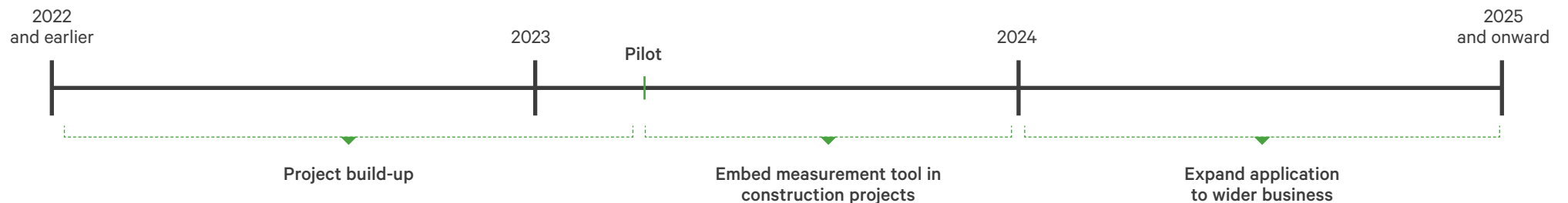
The project aims to begin piloting the solution from early to mid-2023, to enable Kāinga Ora design teams to apply it to construction projects of new homes (led by Kāinga Ora Construction and Innovation and Market Delivery and Acquisitions) as a business-as-usual activity before 2024.

Between 2023 and 2024, we also plan to expand the developed carbon measurement and reporting practices and processes across the Kāinga Ora portfolio to support development of strategies and initiatives to design out carbon and meet our reduction targets.

This timeline sets up Kāinga Ora with sufficient time to upskill and manage change with employees and industry partners well ahead of the expected BfCC regulations coming into effect. It also provides Kāinga Ora the opportunity to reduce carbon arising from new construction as soon as possible.

Achieving this will require a combination of new building designs, innovative products and materials, collaboration and robust partnerships with suppliers and other industry players, education and training of Kāinga Ora employees and external contracted team members and customer engagement.

Carbon Measurement and Reporting Project timeline



Taking a more comprehensive environmental approach: Urban development in New Zealand

Kāinga Ora is leading the largest urban regeneration programme ever undertaken in New Zealand. Along with delivering on a range of social, cultural and economic outcomes, this investment enables us to think about how we can regenerate existing neighbourhoods in a way that reduces our greenhouse gas emissions and improves the climate resilience of our customers and assets. Transformative changes are required to New Zealand's urban form if we are to deliver on these outcomes.

As a country, we are still building our knowledge, capacity and capability to understand how this change can be achieved. While we have some of the solutions, we must improve understanding around the tools we need, the adequacy of existing policies and standards and how our governance systems and funding mechanisms need to change to realise these outcomes. Alongside this, there are limited local and international case studies for us to draw on.

Kāinga Ora is well placed to collaborate with government and industry in testing innovative approaches on real urban regeneration projects to accelerate change and build collective knowledge.

Carbon reduction in urban development activities

Progress

To improve our understanding of the carbon impact of our urban development activities, we have developed a Neighbourhood Emissions Assessment Tool. This captures emissions across transport, buildings, infrastructure and waste over a 60-year period. This tool improves our understanding of key emissions drivers at the masterplanning scale, enabling us to influence longer-term and broader decarbonisation opportunities that are not available at solely an individual building or infrastructure scale.

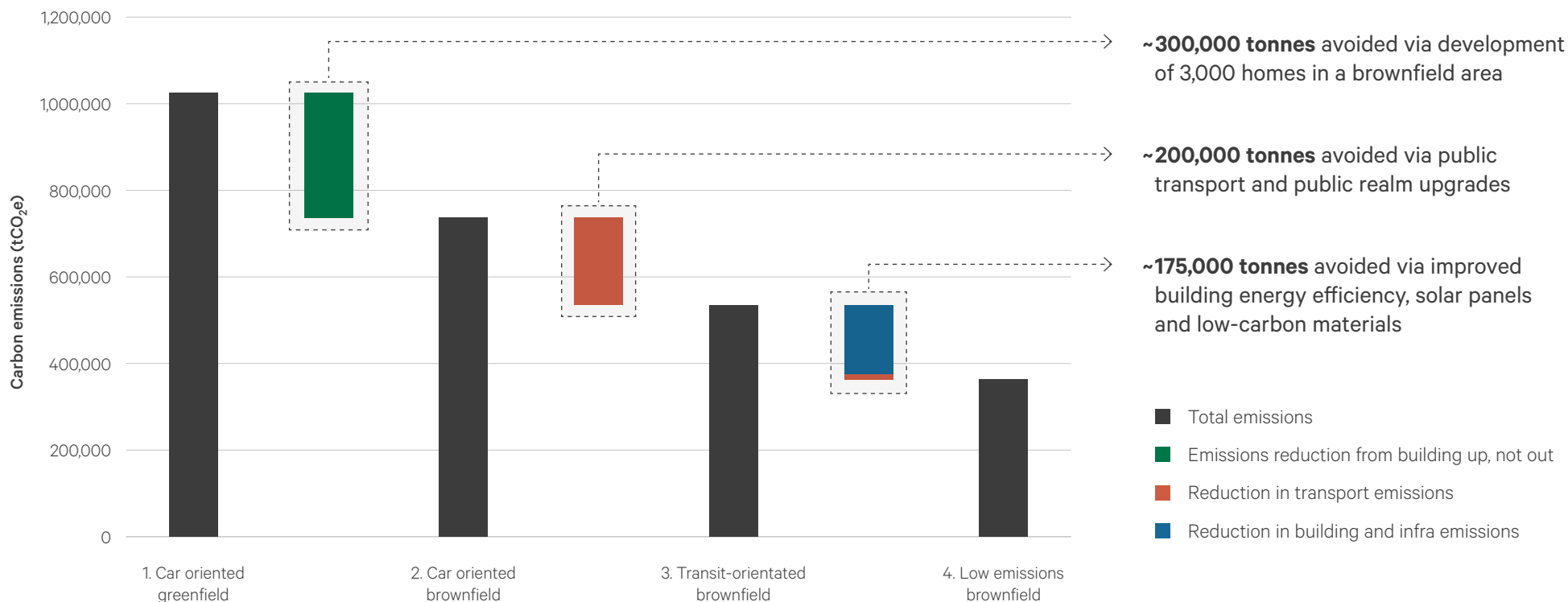
We used the tool to compare different urban development scenarios for our Wesley West development – a project currently under way in Mt Roskill, Auckland.

The chart on the next page illustrates the relative differences in emissions between scenarios, each resulting in the development of 4,300 homes:

1. **Car-orientated greenfield:** The private market continues to undertake car-oriented development.
2. **Car-orientated brownfield:** The Wesley West development progresses as a car-oriented brownfield development.
3. **Transit-orientated brownfield:** Implementing a 20-minute neighbourhood and providing high-quality public transports to enable greater sustainable transport choices. This is represented in our proposed masterplan.
4. **Low-emissions brownfield:** Incorporating carbon interventions such as low emission building materials in a transit-orientated brownfield.



Wesley West: emissions from different development scenarios



The findings confirmed that one of the greatest impacts we can have through our urban development activities is supporting reductions in transport-related emissions.

At the neighbourhood scale, we have the opportunity to think about how the various components of the neighbourhood interact to realise strong walking, cycling and public transport outcomes.

A 60-year lifetime was used for the assessment of operational emissions in line with industry guidance for carbon assessment in the built environment: [RICS 2017 Whole life carbon assessment for the built environment](#).

Next steps

Our Neighbourhood Emissions Assessment Tool is a first for New Zealand, and we intend to continue working with local and central government and private developers to improve the model to make it useful to the sector.

We will apply the tool to other brownfield and greenfield sites to contribute to our understanding of how emissions compare across our different types of development activities. This can better inform our investment decision making and contribute to our Emissions Reduction Plan.

Climate risk in urban development activities

Progress

We also developed an assessment framework so projects can assess climate risk at the neighbourhood scale and better understand how they can use their urban development activities to address this risk. One of the greatest opportunities of larger-scale urban development is that it enables us to think about how and where we allocate different land uses across a site to reduce exposure to flooding. Through our urban design and masterplanning, we can also use the urban realm to support shading and cooling functions that mitigate the urban heat island effect.

Next steps

To improve understanding of climate risk at the neighbourhood scale, we are building capability across our urban development teams in using the Climate Risk Assessment Framework. This will support teams to better identify neighbourhood risks and incorporate responses to these risks into masterplanning such as decisions about where and how we use land.

Improving climate risk response will involve working with urban development teams to increase awareness of available flood hazard information and following the Kāinga Ora Urban Ngahere Policy, which sets out strong guidance as to how Kāinga Ora can improve trees, vegetation and planting within our development activities to reduce neighbourhood overheating.



Affordable housing



Understanding our impact: Eastern Porirua longitudinal study

As part of improving our processes and knowledge base, Kāinga Ora is looking to better understand the impact our activities have on people and places. While we look to examples from the past and from overseas to understand how we can deliver great outcomes for whānau, communities and the environment, it is not a perfect science for several reasons.

The outcomes of housing and urban development activities tend to be long term and highly specific to their context: geographical, temporal, cultural, economic and regulatory. In New Zealand, we also have the unique foundation of te Tiriti o Waitangi and the partnership between iwi Māori and the Crown. These factors mean it can be difficult to determine how applicable international research is to our local context.

The way to remedy this gap in our understanding is to track systematically what happens when we intervene in our communities. We're starting to do this as we evaluate our redevelopment of Eastern Porirua.

Eastern Porirua is home to about 18,000 residents, including customers in roughly 2,000 Kāinga Ora homes. Many of these dwellings are in need of substantial work to bring them up to the standards we expect our homes to meet, and the area is in need of significant infrastructure upgrades.

In addition to upgrading (through replacement or retrofit) the existing Kāinga Ora stock, the programme will deliver roughly 150 additional public houses and 2,000 market and affordable homes.

As well as the delivery of more and better housing for Eastern Porirua, the development delivers major investment in public assets and infrastructure including:

- renewal of the Waitangirua town centre
- revitalising the Cannons Creek town centre
- revitalising greenways, in particular Bothamley Park
- upgrading Mungavin and Warspite Avenues
- flood prevention and water quality interventions
- improved connections to the city centre for pedestrians and cyclists.

The evaluation of the Eastern Porirua development will investigate the outcomes of the changes to area across five domains: housing, health, transport, the environment and subjective wellbeing. Working with our development partners and other stakeholders, including the residents of Eastern Porirua, the Evaluation and Research team will use a combination of community surveys, hui, wānanga and talanoa and administrative data to understand how our activities impact upon the people who live there and the natural environment.

The evaluation will be carried out over the life of the development, with regular reporting ensuring that insights can be applied and contribute to improvements over time. In addition, the information gathered over the medium to long term will provide the organisation with robust evidence of our outcomes to support future investment.

More information about the impact of our public and supported housing can be found in our [Annual Report](#).

Socioeconomic advancement and empowerment



Enabling employment: Apprenticeship Programme

Kāinga Ora has helped more than 140 young people into a career in trades through its Apprenticeship Programme.

Under the guidance of the training providers, prospective employees are linked with Kāinga Ora build partners and subcontractors to enter into a cadetship. While in paid employment, they gain the skills needed to begin their apprenticeship and are supported throughout the entire process.

The programme is about linking young people who have aspirations to enter the construction industry but don't have easy access to opportunities.

Apprentices have come into the programme from situations such as unstable employment or unemployment, along with school leavers from areas where Kāinga Ora has a high level of build activity. The programme also provides Kāinga Ora customers opportunities to help build homes for other New Zealanders in need of public housing.

A key objective of the programme is to engage with Māori and Pasifika, with a target of at least 50 percent of these ethnicities being employed. In FY2021/22, 57 percent of apprentices self-identified as either Māori or Pasifika.

As the nation's largest builder of homes, Kāinga Ora has utilised our vast work programme to support our build partners and subcontractors to play a larger role in providing opportunities that benefit society as a whole.

The success of that relies on the strong input of the employment training providers, who take on mentoring roles with the young people and provide pastoral care and life skills.

Kāinga Ora provides build partners with \$1,500 for each apprentice to go towards tools and other equipment that will support them. We also facilitate regular learning sessions for cadets and apprentices to expand their skills beyond what they will learn on the job such as financial literacy, career goal-setting skills and mental wellbeing.

Work is under way to expand the programme from Auckland into Wellington, Christchurch and Hawke's Bay.



Empowering communities: Social procurement framework

When you view a Kāinga Ora build site, it is not just homes being built – there are positive impacts that extend beyond bricks and mortar and into the community.

Through our build activity, we can contribute to these wider positive impacts, including vocational pathways to enhance our workforce, diversifying our supply chain with Māori, Pasifika businesses and social enterprises, or mitigating the adverse impact of our activities on the environment.

The Pā Harakeke framework guides Kāinga Ora on how to embed opportunities for wider positive impact into projects and through our procurement process. In line with the Government's broader outcomes focus and Kāinga Ora strategic objectives, Pā Harakeke has committed to four key impact areas:

- Cultural – te Tiriti o Waitangi is foundational and so we will engage early to support aspirations of iwi and rōpū Māori.

- Economic – support supplier diversity and contribute to growing an upskilled workforce.
- Environmental – decisions have a low-emissions lens and actions today affect future generations.
- Social – equitable working conditions and employment opportunities exist within our communities.

How do we do this?

We are exploring regional opportunities where possible to directly engage with Māori and Pasifika-owned businesses as part of our commitment to supplier diversity. In the Far North, Māori-owned construction businesses are working on our redevelopment projects, and our large-scale developments in Auckland and Wellington have enabled supplier diversity to occur with our build partners. For our large-scale developments it is expected that a portion of the contract sum is to be spent with diverse suppliers (subcontractors),

including Māori and Pasifika businesses and social enterprises. Employment, education and training opportunities are created for apprentices and cadets.

We will work with others, including councils, government agencies, local government, iwi and rōpū Māori, infrastructure providers, private developers, commercial partners and suppliers to facilitate social impact outcomes from our projects.

To ensure we are delivering on our social, economic, cultural and environmental commitments, we are refining the Pā Harakeke framework to embed impact reporting and measurement into the procurement process. This will evolve as we demonstrate the importance of social impact and creating meaningful – and measurable – outcomes.

It is about making a real difference to not only the customers who will move in to our homes but also to the people and communities who helped build them and the regions where we operate.





Pollution prevention and control

Better outcomes through sustainable site clearance

Kāinga Ora continues to make great progress towards transforming our site clearance methods to become more sustainable. We aim to use our scale to show leadership within the industry while also helping to meet the goals of our Environment Strategy.

Kāinga Ora removes between 800 and 1,000 older houses per year to free up land for new housing. Like much of the industry, we previously used demolition as the main site clearance method.

We have since developed a national panel of site clearance contractors to carry out more-sustainable methods of house removal to prioritise relocation and deconstruction over demolition. Demolition will still occur such as when contaminants are present or fire damage has occurred.

Our engagement with mana whenua aims to understand prospective demand for relocatable houses in areas of high need. We are also working with government partners such as the Ministry for the Environment to help encourage greater industry uptake of deconstruction methods.

Landfill diversion targets

For FY2021/22, we set a target to reuse or recycle 80 percent of uncontaminated materials by weight at Auckland development sites through our deconstruction and demolition programmes.

We surpassed this to achieve an average of 87 percent. This means nearly 21,000 tonnes of materials from our sites were reused and recycled, including about 5,000 tonnes of concrete and about 655 tonnes of timber framing.

We have expanded our landfill diversion targets to cover all of New Zealand. From FY2022/23, Northland sites, which have access to Auckland contractors and facilities, must meet the 80 percent diversion target. The target for all other regions is 60 percent. This lower target will likely be raised over time as sorting facilities and infrastructure are improved in the regions.

Construction waste minimisation

We are developing a construction waste minimisation programme to implement new standards within our new-build and refurbishment programmes.

Kāinga Ora requires contractors to produce a waste management plan and report on construction waste generated.

Key opportunity areas we are looking to pursue include designing out waste and improving construction waste data, material reuse, off-site manufacturing and sustainable procurement.

House relocation

Existing state homes are offered for relocation to Māori, community housing providers and NGOs for \$1, while private registered companies pay market rates, through an expression of interest process.

In FY2021/22, 55 houses were relocated. This equates to about 10 percent of houses removed from development sites ahead of our target of 7 percent. Forty of these houses (70 percent) went to Māori whānau in Northland and Gisborne.

A place to call home

Being a homeowner was a dream Kodie (Te Aupōuri and Ngāti Kuri) had all but given up on. That was before the Northland resident heard about the Kāinga Ora relocation programme.

Kodie was eligible because Māori are one of the groups prioritised for the programme. She also met requirements because she had the funds to refurbish the house and had access to whenua (land), which was already set up with services and infrastructure.

Her new home was moved from a development area in Auckland to Te Kao in the Far North in mid-2022. The house is undergoing renovation, and Kodie plans to move in later this year.

“It’s a really solid house. Now we can put our money towards our family instead of paying rent on a house that will never be ours.

“It means that, when my partner and I are gone, the kids will always have somewhere to come home to. It’s more than I could have ever asked for,” Kodie says.



External review



About Sustainalytics

Sustainalytics is a leading independent environmental, social and governance research, ratings and analytics firm. It is recognised as the largest second-party opinion provider by Environmental Finance and the Climate Bonds initiative.

Engagement

Sustainalytics was engaged to provide a second-party opinion through an annual review of the Kāinga Ora Sustainable Finance Impact Report 2021/22.

Opinion

Based on the limited assurance procedures conducted, nothing has come to the attention of Sustainalytics that causes it to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Kāinga Ora Sustainability Wellbeing Bonds, are not in conformance with the use of proceeds and reporting criteria outlined in the Sustainable Finance Framework.

Eligibility criteria	Procedure performed	Factual findings	Error or exceptions identified
Use of proceeds criteria	Verification of the projects funded by the Wellbeing Bonds in FY2021/22 to determine if projects aligned with the use of proceeds criteria outlined in the Sustainable Finance Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting criteria	Verification of the projects funded by the Wellbeing Bonds in FY2021/22 to determine if the impact of projects was reported in line with the KPIs outlined in the Sustainable Finance Framework.	All projects reviewed reported on at least one KPI per use of proceeds criteria.	None

Further information

The full annual review letter can be found on the [Kāinga Ora Investor Centre](#).

Copyright © 2022. This copyright work is licensed under a Creative Commons Attribution-Non-commercial 3.0 New Zealand licence.



Te Kāwanatanga o Aotearoa
New Zealand Government