

Auckland Council Investor Update

March 2022



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Mihi

Noho mai rā Tāmaki Makaurau,
moana waipiata,
maunga kākāriki.
Mai i ngā wai kaukau o ngā tūpuna,
ki ngā puke kawē i ngā reo o te tini,
i puta ai te kī mōu.
Tū ana he maunga,
takoto ana he raorao,
heke ana he awaawa.
Ko ō wahapū te ataahua,
ō tāhuna te mahora,
te taiao e whītiki nei i a koe he taonga tuku iho.
Tiakina kia meinga tonu ai koe
ko 'te tāone taioreore nui o te ao,
manakohia e te iwi pūmanawa'.
Tāmaki Mākaurau tirohia te pae tawhiti
he whakairinga tūmanako
mō ngā uri whakaheke o āpōpō,
te toka herenga mō te hunga ka takahi ake
mā ō tomokanga,
te piriti e whakawhiti ai
tō iwi ki ngā huarahi o te ora.
Tāmaki Mākaurau e toro whakamua,
hikina te mātuka.
Tērā te rangi me te whenua te tūtaki.
Maranga me te rā, he mahi māu me tīmata,
ka nunumi ana ki te pō,
whakatārewahia ō moemoeā ki ngā whetū.
Ko te oranga mutunga mōu
kei tua i te taumata moana.
Whakatuwherahia ō ringa, kūmea mai k i tō uma.
Tāmaki Makaurau
he tāone ūmanga kurupounamu koe;
tukua tō rongo kia rere i te ao.

Tāmaki Makaurau
who bestrides shimmering seas,
and verdant mountains.
From the bathing waters of our forebears,
and hills that echo with voices
that acclaim.
Your mountains stand lofty,
your valleys spread from them
and your streams run freely.
Your harbours are majestic,
your beaches widespread,
the environment that surrounds you is a legacy.
Take care of it so that you will always be known
as 'the world-class city
where talent wants to be'.
Tāmaki Makaurau looking to the future,
repository of our hopes
for generations to come,
anchor stone for those who venture
through your gateway,
and the bridge that connects
your citizens to life.
Tāmaki Makaurau moving on,
accepting all challenges.
Where even heaven and earth might meet.
Rise with the sun as there is work to be done
and when evening comes,
allow your dreams to glide among the stars.
Perpetual health and growth
is beyond the horizon of cresting waves.
Open your arms and pull them to your embrace.
Tāmaki Makaurau, you are a city
where valued business and enterprise thrives;
let your good name traverse the world.



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Overview and key focus areas



New Zealand overview



5.1m

New Zealand's population



NZ\$345b

New Zealand's GDP



4.9%

Annual GDP Growth



5.9%

New Zealand's annual CPI



0.67

NZD/USD Exchange Rate



0.60

NZD/EUR
Exchange Rate



3.2%

Unemployment Rate



1.00%

Official Cash Rate



Source: Statistics New Zealand December & September 2021, Reserve Bank of New Zealand

Auckland overview



38%
of New Zealand's GDP

1.72m
Auckland population



200+
ethnicities in Auckland and
49% of the workforce born
overseas

34%
of New Zealand's
population



1st
most liveable city
globally*

4
out of every 10 New
Zealanders forecast to
live in Auckland by 2048



Source: Stats NZ Regional GDP March 2020, Statistics New Zealand June and March 2021, Auckland Council June 2020. * EIU Global Liveability Index 2021



Key focus areas

- COVID-19 response
- Major capital projects
- Budget 2023
- Water reforms
- Local government election
October 2022

Group financial highlights



Group financial highlights (31 December 2021)



[Link to the Interim report 31 December 2021](#)

Revenue and expenditure

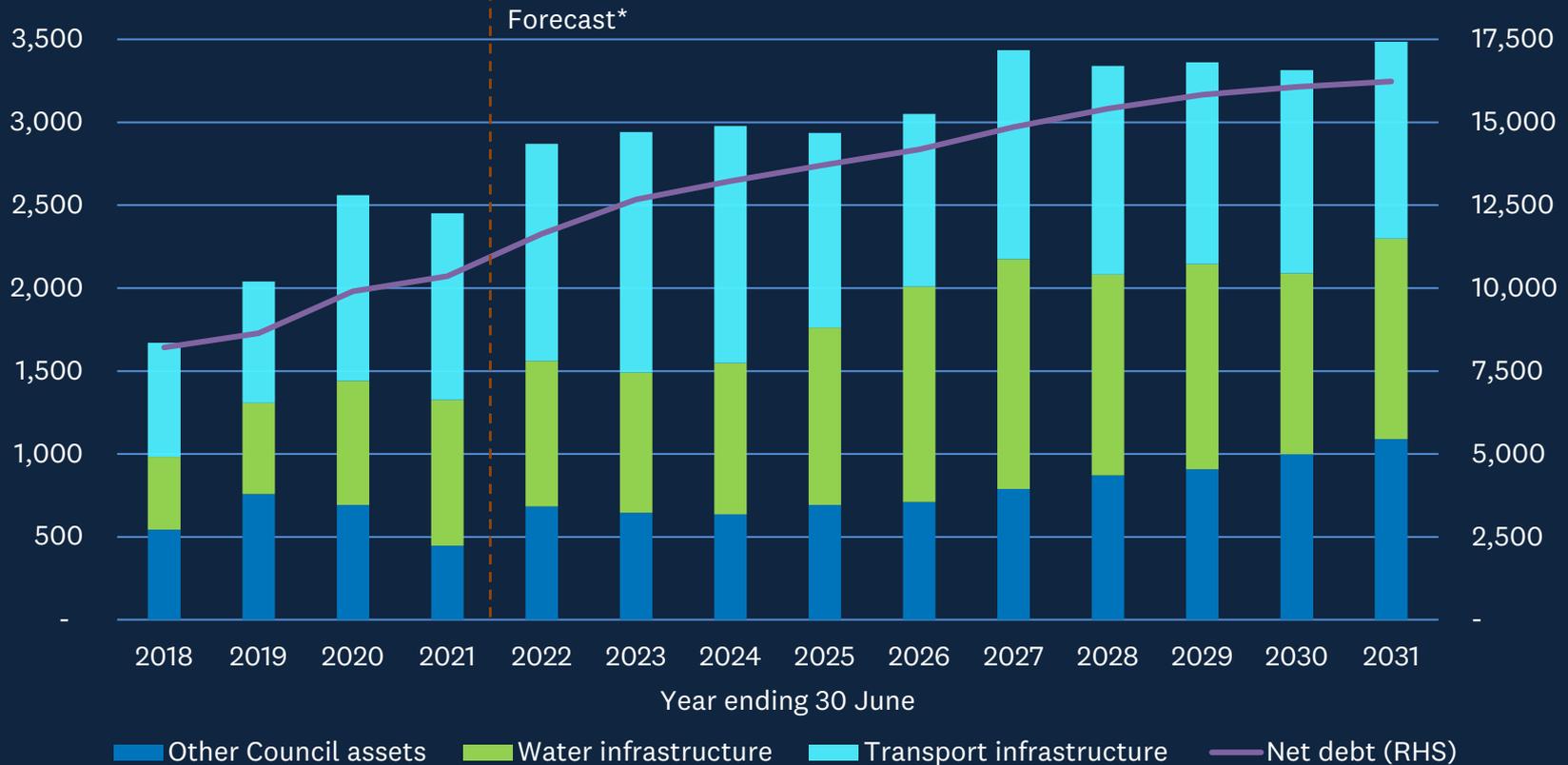


*Forecast based on Long Term Plan 2021-2031

Note: The group changed its accounting policy in relation to Software as a Service arrangements at 1 July 2021, on a retrospective basis from 1 July 2020 onwards. The comparative information in this graphic before 1 July 2020 does not reflect the change to prior years due to its immateriality.

Capital investment

NZ\$ millions

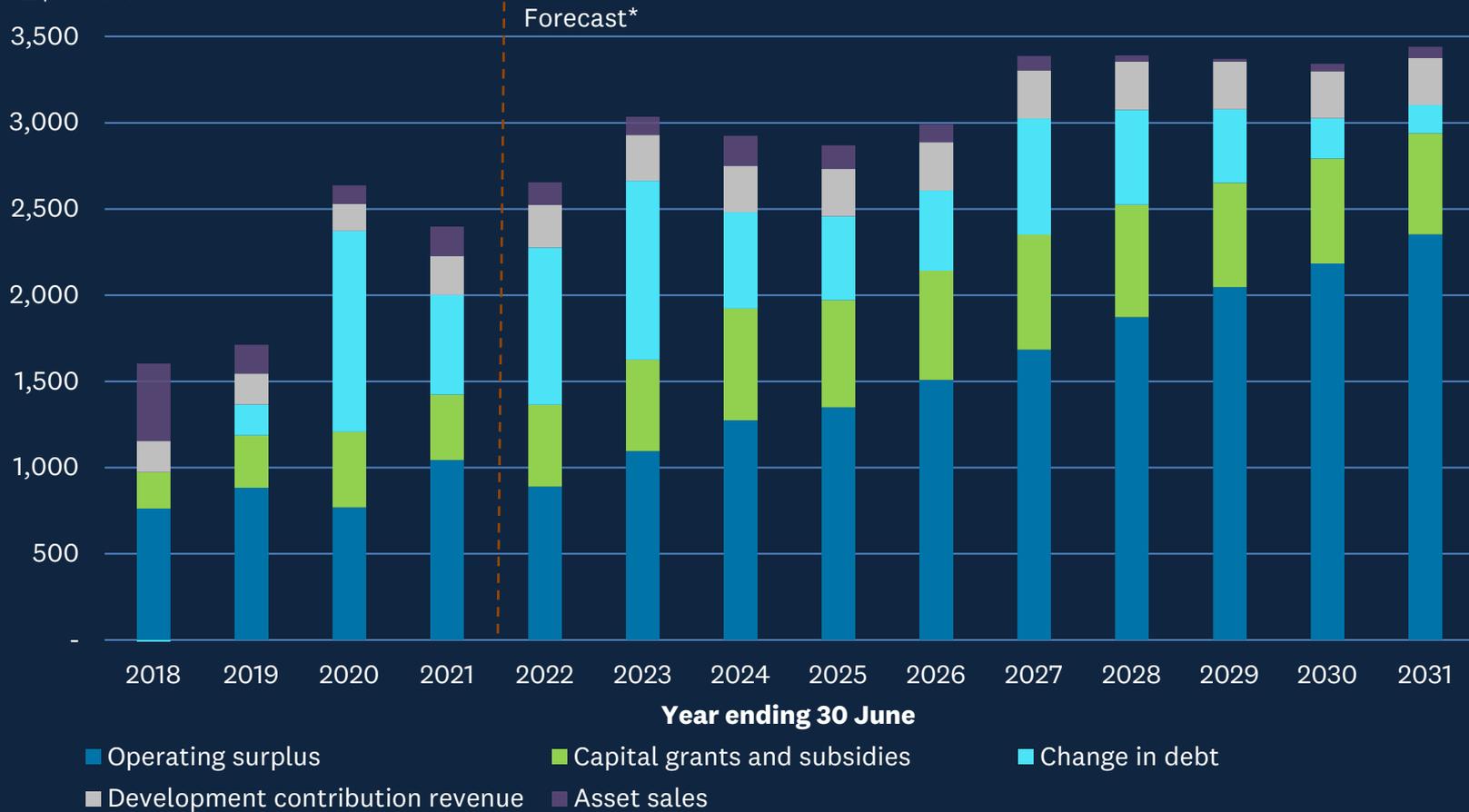


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Capital funding sources

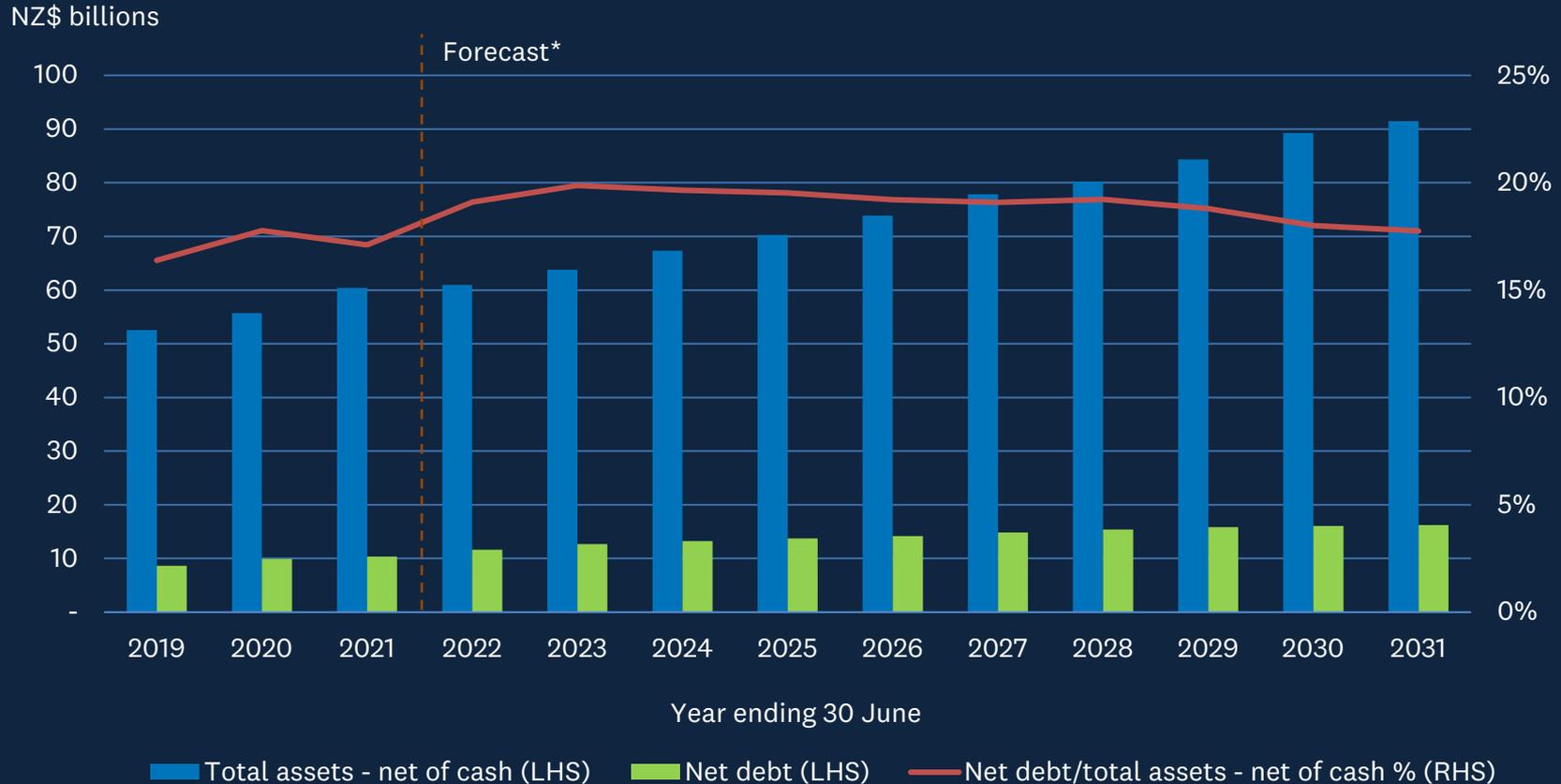
NZ\$ millions



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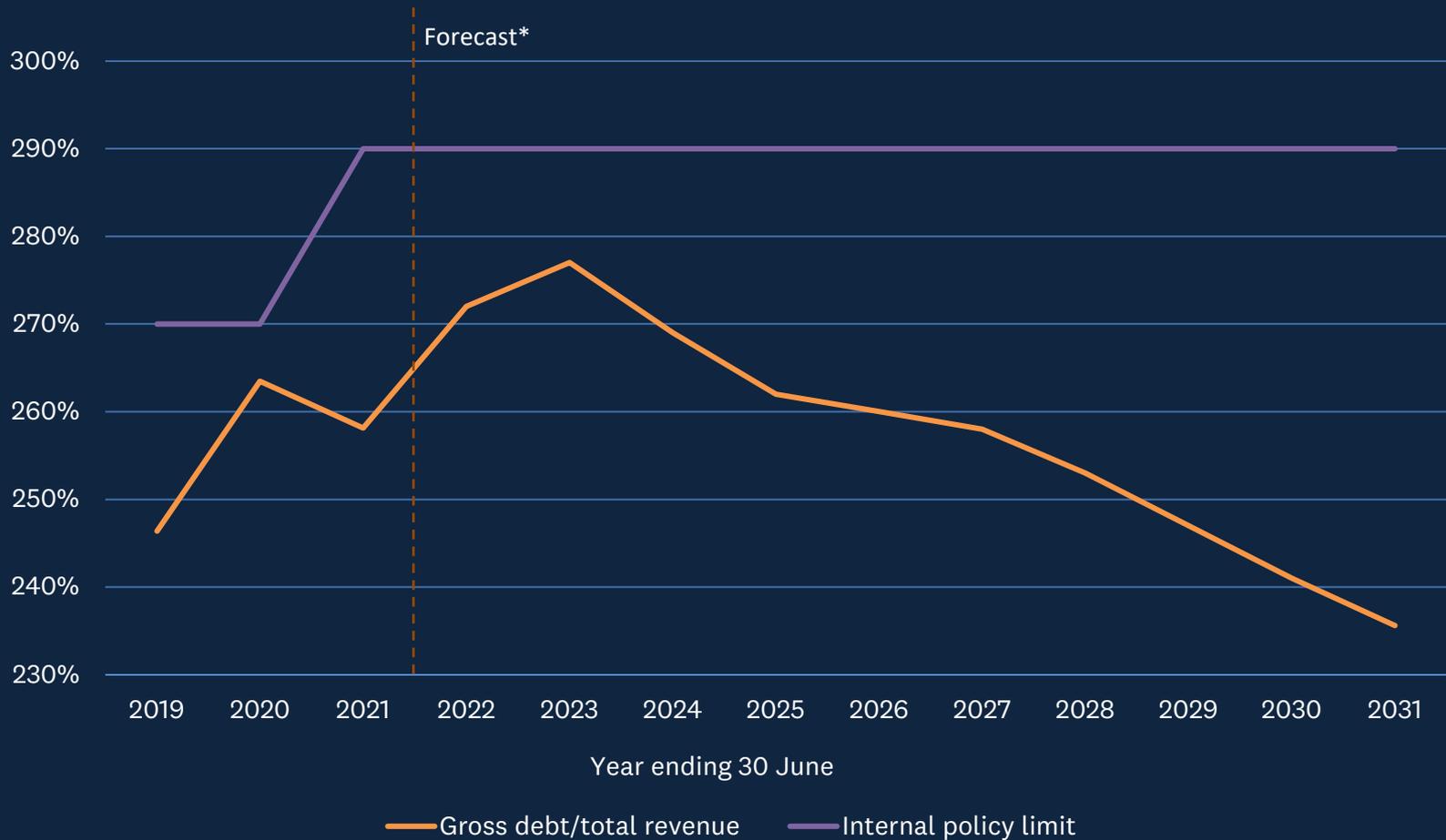
Net debt to assets



*Forecast based on Long Term Plan 2021-2031

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Gross debt to revenue ratio



*Forecast based on Long Term Plan 2021-2031

Balance after capital accounts (% of total revenues)



*Forecast based on Long Term Plan 2021-2031

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Funding approach and debt market activity

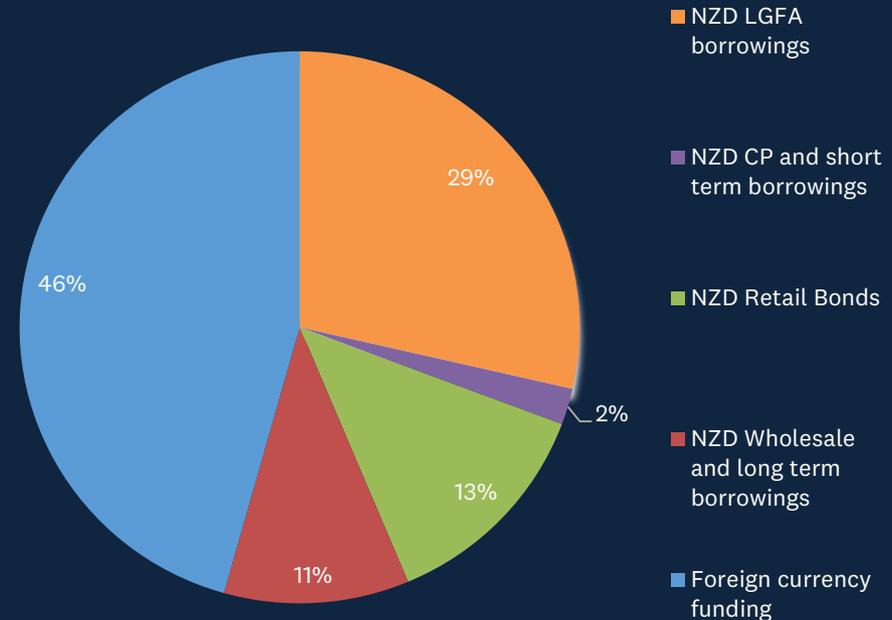


Funding diversity

(as at 31 December 2021)

- Gross debt of NZ\$11.8 billion
- Weighted average term of 5.9 years
- LGFA* - 24% of LGFA's total lending vs cap of 40% of LGFA's total lending
- Backed by up to NZ\$1.3 billion LGFA and bank standby facilities
- 5 Green bonds of NZD2.0 billion (NZD and EUR issues) = 17% of total debt

Auckland Council Group funding mix

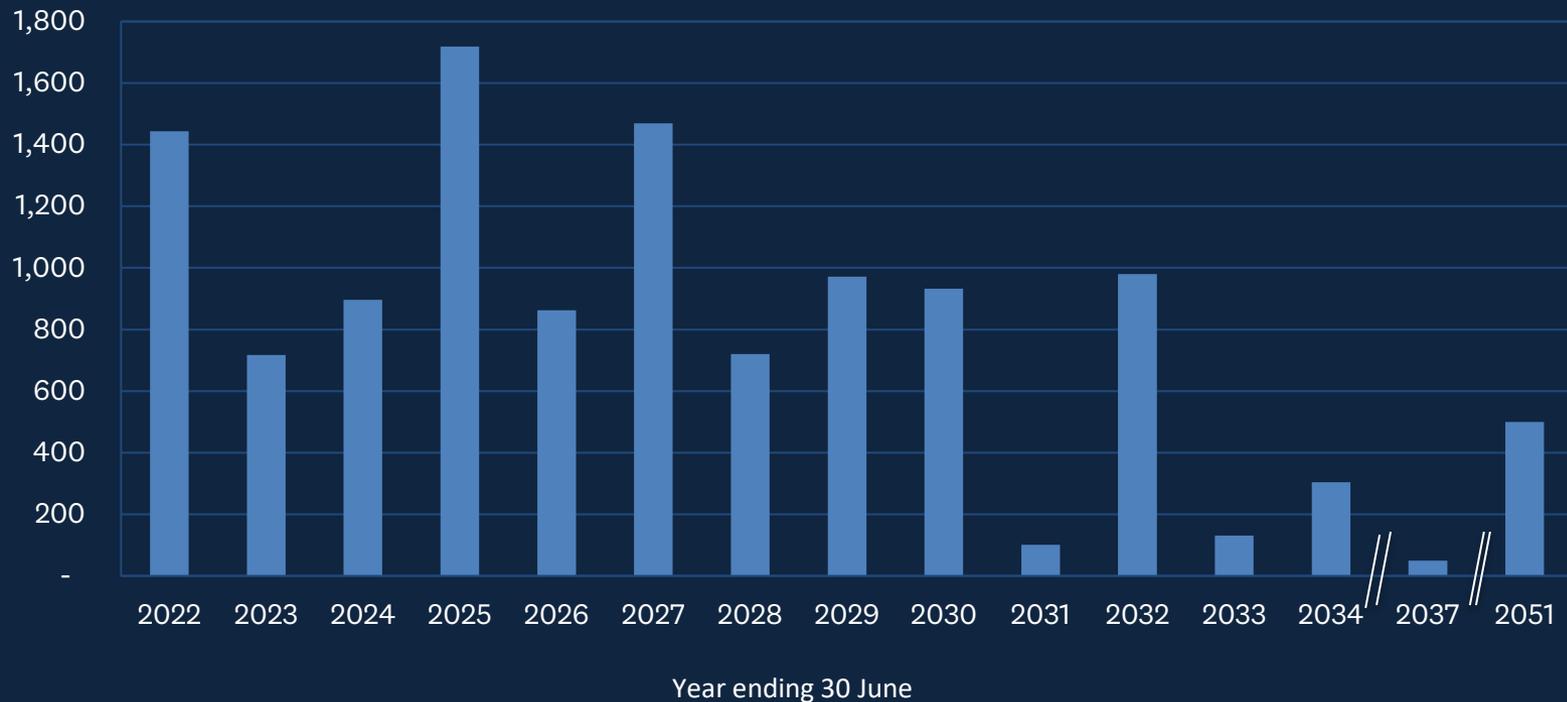


* Local Government Funding Agency

Debt maturity profile

(as at 31 December 2021)

NZ\$ millions



Credit rating

- Rating target AA/Aa2 is a core treasury policy

Moody's

Aa2 (Stable Outlook) reaffirmed Nov 2021

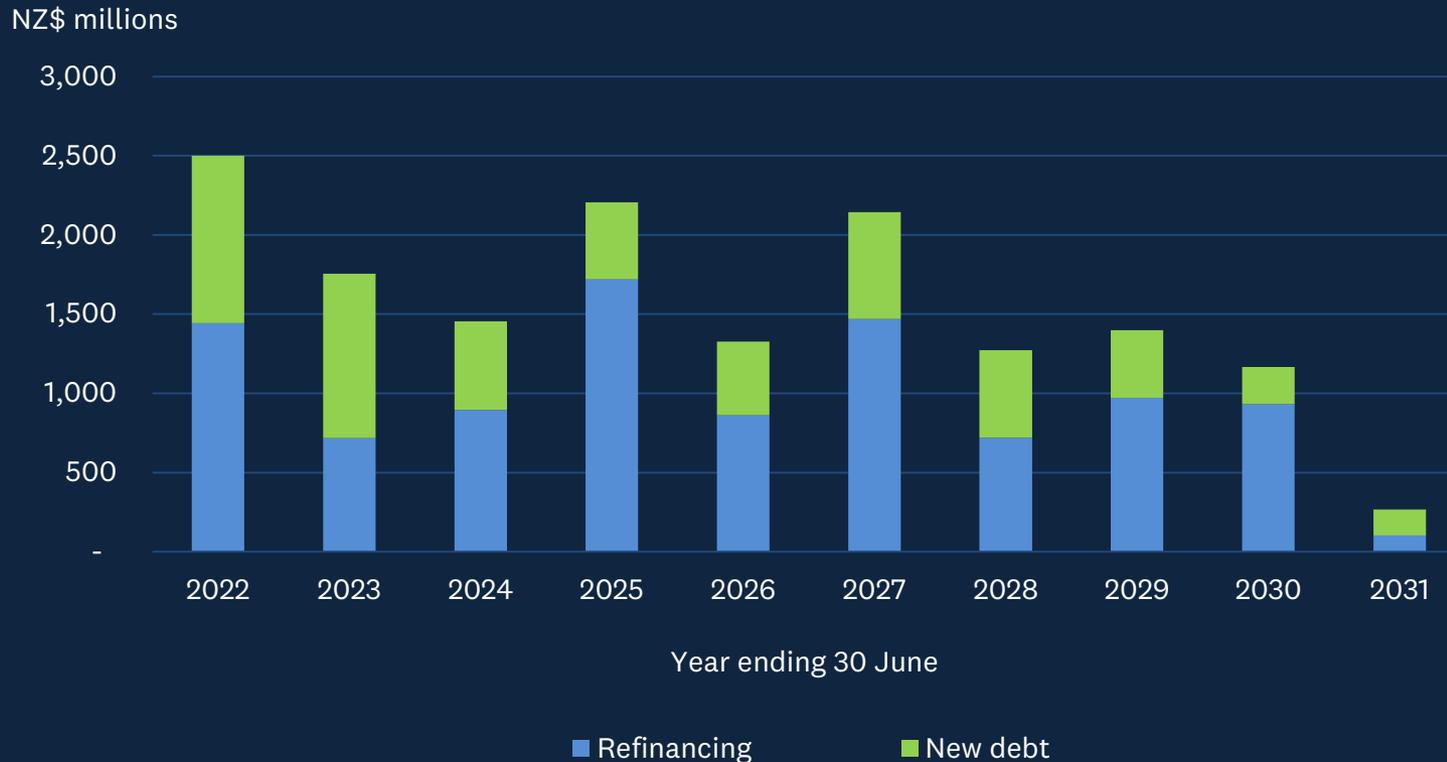
“The rating outlook is stable, reflecting the Council's well established institutional framework which includes flexibility to adjust revenue and spending, and ensures strong governance practices through reporting and planning requirements.”

S&P Global Ratings

AA (Stable Outlook) reaffirmed Oct 2021

“We expect the council's financial management, resilient local economy, and New Zealand's institutional settings to continue to support the council's credit profile.”

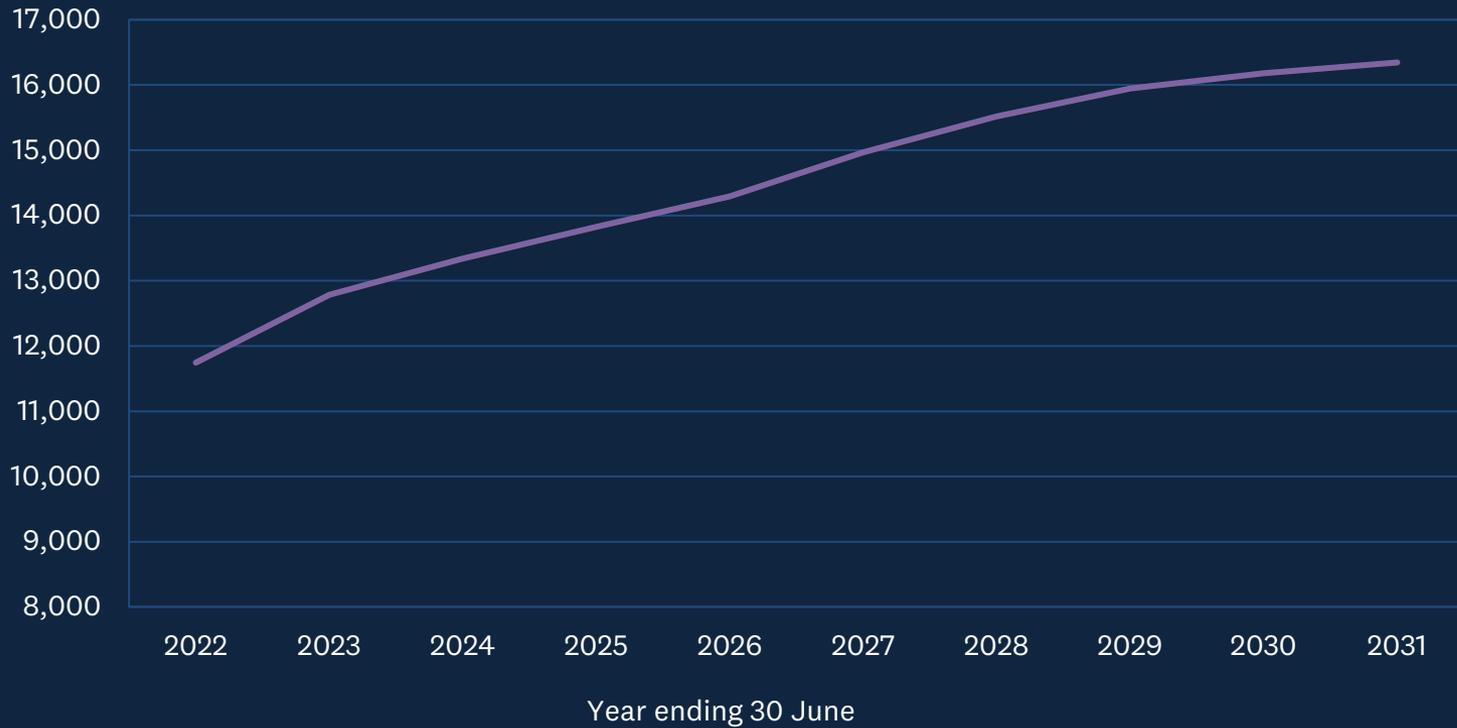
Annual debt requirement forecast*



*Forecast based on Long Term Plan 2021-2031

Projected debt forecast*

NZ\$ millions



*Forecast based on Long Term Plan 2021-2031

Sustainable finance programme



Our approach to sustainability

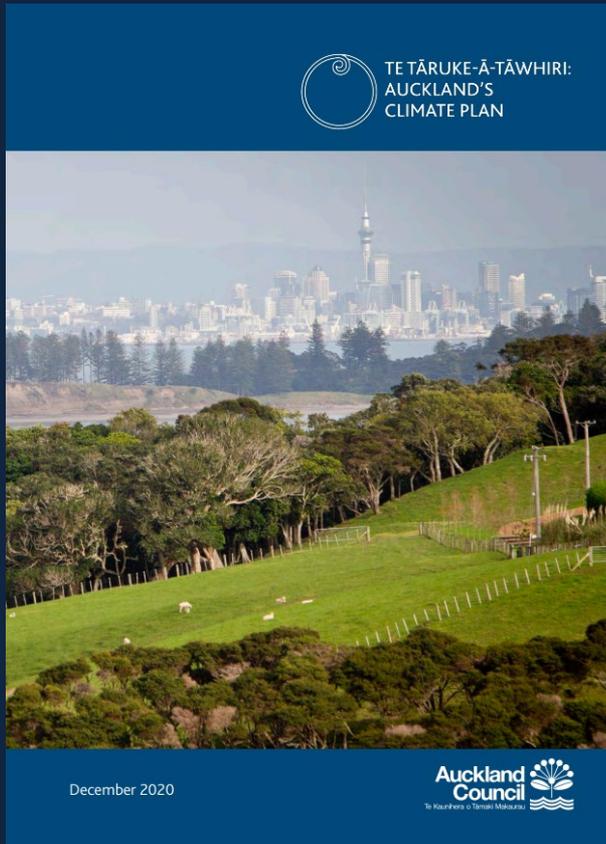
- Our approach to sustainability is framed by the **Auckland Plan 2050** (www.theaucklandplan.govt.nz).

- The Auckland Plan 2050 is our long-term spatial plan to ensure Auckland grows in a way that will meet the opportunities and challenges of the future.



- It considers how we will address our key challenges of high population growth, shared prosperity, and environmental degradation.
- Auckland Council has plans and strategies to support the delivery of the Auckland Plan 2050, including Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan, Auckland's regional response to climate change.

Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan



Auckland Council's strategic response to climate change is driven by two core goals:

- Climate mitigation: To reduce greenhouse gas emissions by 50 per cent by 2030, and achieve net zero emissions by 2050.
- Climate adaptation: To adapt to the impacts of climate change by ensuring we plan for the changes we face under our current emissions pathway.

Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan is Auckland's long-term approach to climate action.

- The plan identifies eight priority areas for action on climate change that deliver broad environmental, economic, social and health benefits for all Aucklanders.

Our sustainable finance journey

Auckland signs the Paris Pledge for Action

in support of the objectives in the [Paris Agreement](#) to limit global temperature rise to less than 2 degrees Celsius and raise ambition before the agreement takes effect in 2020.

2016

April 2018

Auckland Council establishes its [Green Bond Framework](#) (changed in 2020 to a Sustainable Finance Framework).

June 2018

Auckland Council issues its first green bond, raising \$200 million to fund electric trains and associated infrastructure.

Auckland Council becomes a member of the Climate Leaders Coalition

committing to alignment with the Paris Agreement, public transparency on emissions, setting targets for emissions reductions and influencing emissions reductions in supply chains.

2018

July 2020

Auckland Council adopts [Te Tāruke-ā-Tāwhiri, Auckland's Climate Plan](#).

September 2020

The Auckland Council Group issues \$500 million of unsubordinated 30-year fixed rate green bonds.

September 2020

Auckland Council Group publishes its inaugural climate-related risk disclosure.

2020

2015

Auckland joins the C40 Cities Climate Leadership Group

Auckland joins the C40 Cities Climate Leadership Group. C40 membership enhances and resources Auckland's ability to work with and learn from leading cities facing similar climate challenges around the globe.

2017

New Zealand's National Institute for Water and Atmospheric Research (NIWA) is commissioned to model

[impacts of climate change on the Auckland Region to 2110](#). This research allows us to better understand the risks, vulnerabilities and opportunities associated with our changing climate so we can better plan, invest and build for the future.

2019

Auckland Council becomes a founding member of the Aotearoa Circle

June 2019

Auckland Council publishes its first [Green Bond Annual Report](#).

June 2019

Auckland declares a [Climate Emergency](#) which includes the requirement to include climate impact statements in all Auckland Council committee reports.

July 2019

Auckland Council issues its second green bond and \$150 million is raised to fund electric trains and cycleways.

2021

February 2021

Auckland Council commits to C40's Leadership Standards for 2021-2024, a new global benchmark for climate ambition and leadership.

August 2021

Auckland Council becomes a signatory to the [C40 Divest/Invest Declaration](#).

Overview of sustainable finance framework

The objective of raising capital under this framework is to reflect and align Auckland Council's funding with specific assets or projects that support the achievement of the Auckland Plan 2050.

Use of proceeds

- Financing of planned projects and assets with positive environmental outcomes.
- Contribute to a low carbon and climate resilient future.
- Conform to the eligibility criteria or refinance of corporate debt that supports eligible assets.
- Eligibility criteria include low carbon transportation etc.

Process of evaluation and selection

- Treasury Management Steering Group manage the asset selection process.
- Professional judgement, discretion and sustainability knowledge is applied .
- Conformance and alignment to principles, eligibility criteria and Auckland Plan objectives.
- Including market standards such as Climate Bond Standards and EU Taxonomy.

Management of proceeds

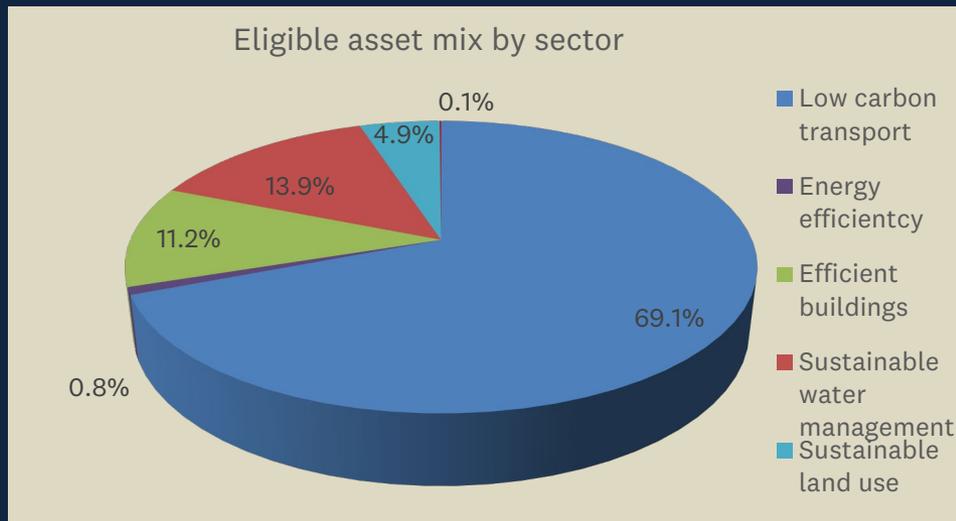
- Preference to maintain a larger eligible asset pool than green bonds issued.
- Track receipt and use of proceeds via internal reporting systems, including maintaining a detailed eligible asset register.
- Unallocated proceeds generally held in cash or cash equivalent instruments.
- Endeavour to disburse funds to eligible assets within 24 months.

Reporting

- Annually publish the use of proceeds report
- Annually publish the impact report.
- Reports available on council's website and reported to securities exchanges.

Green bonds

- First New Zealand entity to issue a green bond in New Zealand - June 2018.
- Five NZD equivalent green bonds = NZ\$1.96 billion (includes a NZ\$500 million, 30-year bond and a EUR500 million 10-year bond).



- Eligible Assets Schedule updated in June 2021 to NZ\$2.7 billion.
- Assets include electric trains, cycleways, new rail tunnel and stations, bus transfer stations, LED street lighting, efficient buildings and water assets.

Green bond funded asset impacts

- Distance travelled by bike has increased by 204% since 2012.



- The net emissions reduction from electric trains was estimated to be 20,000 tCO₂e in financial year 2019.



- City Rail Link will at least double Auckland's rail network capacity.



- Sustainable water infrastructure will provide uninterrupted, high-quality water supply as demand grows and resilience in the event of a natural disaster.



- The Puketutu Island project has diverted 112,729.8 tonnes of waste from landfill during financial year 2021.

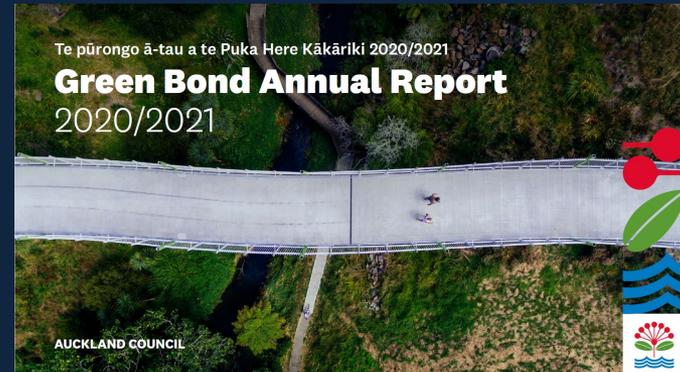


External review process and reporting

- Will seek post-issuance assurance at least once during the term of the green bond.
- May seek external review (assurance) option.
- May seek CBI certification for individual bond issues.
- May seek other forms of independent review.

Since the establishment of Auckland Council's sustainable finance programme, EY has provided Annual assurance on our green bond documentation, including our sustainable finance framework and use of proceeds statements.

[Latest EY assurance report can be found here](#)



[Link to our green bond page](#)

Appendix



Revenue and Expenditure - 31 December 2021

For the period (NZ\$m)	Six months to 31 Dec 2021*	Restated Six months to 31 Dec 2020*	Restated Year to 30 Jun 2021	Year to 30 Jun 2020
Rates revenue	2,111	1,973	1,976	1,877
Services and other revenues	1,716	1,619	3,339	3,291
Total revenue	3,827	3,592	5,315	5,168
Operating expenses	2,077	2,000	3,997	3,972
Finance costs	239	200	408	444
Total expenses	2,316	2,200	4,405	4,416
Operating surplus before gains and losses	1,511	1,392	910	752
Surplus after income tax	1,946	1,603	1,837	35

* Unaudited results

Note: The group changed its accounting policy in relation to Software as a Service arrangements at 1 July 2021, on a retrospective basis from 1 July 2020 onwards. The comparative information in this table have been restated except for Year to 30 Jun 2020.

Financial Position – 31 December 2021

As at (NZ\$m)	31 Dec 2021*	Restated 31 Dec 2020*	Restated 30 Jun 2021	30 Jun 2020
Cash and short-term deposits	1,353	609	326	308
Total assets	63,883	58,162	60,724	55,991
Borrowings	11,819	10,733	10,687	10,214
Total liabilities	16,634	16,489	16,019	16,142
Net assets	47,249	41,673	44,705	39,849
Net debt to total assets	16.4%	17.4%	17.1%	17.7%

* Unaudited results

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Cash Flow – 31 December 2021

For the period (NZ\$m)	Six months to 31 Dec 2021*	Restated Six months to 31 Dec 2020*	Restated Year to 30 Jun 2021	Year to 30 Jun 2020
Operating cash flow	788	855	1,705	1,370
Investing cash flow	(1,740)	(1,163)	(2,311)	(2,497)
Funding cash flow	1,192	604	605	1,131
Net increase/(decrease) in cash and cash equivalents and bank overdrafts	240	296	(1)	4

* Unaudited results

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Contact details

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