



Christchurch
City Holdings
Limited

ANNUAL SUSTAINABLE FINANCE REPORT

For year ending 30 June 2023





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UPDATE FROM THE CCHL CHAIR

CCHL's sustainable focus

From super charged rainfall to catastrophic storms, Aotearoa's recent experience of a rapidly changing climate brings the challenges our community, our region and our economy face in the future into stark focus. As the need to respond to a raft of issues becomes more pressing and stakeholder expectations of reporting in this area increase, CCHL is bringing a new level of rigour to understanding the impacts the Group can have on what is likely to be the biggest test our society will face.

In this, our second Annual Sustainable Finance Report, we report on some of the direct impacts from Enable's activities. As the asset underwritten by this bond, Enable has demonstrated its environmental commitments to operate more efficiently, while increasing its use of renewable energy. The organisation has also identified opportunities to have a broader positive impact in our community, increasing access to internet services as part of a long-term strategy to bridge the digital divide.

Increasing the impact of environmental, social and governance (ESG) targets through a strategic focus and prioritisation has underpinned the establishment of a new Impact Subcommittee of the CCHL Board. This Committee will bring an increased level of governance focus to our efforts and help us prioritise the things our Group can do to have the biggest impact. As well as identifying and supporting opportunities to leverage the CCHL Group's capabilities and resources, and promoting wider engagement across the Group, the Impact Subcommittee will strengthen our accountability to deliver meaningful outcomes.

The approach of the Subcommittee is consistent with the more active approach CCHL is taking to the issues we face and the opportunities we have to make a real and measurable difference for our community. It also demonstrates that, rather than a 'nice to have', ESG is a strategic priority for CCHL.

We hold some of the largest and most significant companies in the region for the benefit of our ultimate owners – the people of Christchurch. In focusing on how these assets can make the largest impact for the good of our community – not only in terms of financial stability but also environmental sustainability and social impact across a broad range of areas like the living wage, diversity and Te Ao Māori – we can demonstrate real leadership and accelerate opportunities for the whole region.

ABBY FOOTE
CCHL Chair



OUR SUSTAINABLE FOCUS

CCHL recognises that sustainability – both as a reflection of the challenges of the climate crisis, and as an opportunity to enhance the health and wellbeing of our community and the liveability of our region – is a core part of our mandate.

As a central pillar of our organisation, sustainability plays a role in every decision we make for the long-term preservation and growth of the assets we hold for the Ōtautahi Christchurch community. In taking a proactive and forward-looking approach to these assets, we are continually looking for new and innovative ways to improve not only our environment but also our processes. This ensures we can identify opportunities to support the sustainable development of our region, now and in the future.

CCHL's Sustainable Finance Framework is designed to support the financing or refinancing of investment in any business, projects, assets, or activities that deliver positive environmental and social goals, especially those that are consistent with the UN's Sustainable Development Goals (SDGs). These goals cover a broad range of themes, from reducing poverty and hunger, to supporting climate action and providing affordable clean energy, as well as the development of sustainable cities and investment in innovation and infrastructure.

The Framework only captures sustainable financing of initiatives that are funded by CCHL Parent. There are a number of other initiatives that support decarbonisation that are funded by subsidiaries and are not covered by this Framework.



The Framework was established in 2021 to support the refinancing of debt relating to our investment in Enable's fibre-optic network. Since its establishment, Enable's network has underpinned the growth of sustainable business, education and community engagement across the city. It also facilitates the expansion of the local economy, provides new opportunities to attract local and international investment, and offers a range of opportunities for Christchurch visitors and residents to experience and enjoy the benefits of living in a 21st Century city.



CCHL SUSTAINABILITY BOND – USE OF PROCEEDS

The CCHL Sustainability Bond of \$150m was issued in November 2021 to refinance a \$159m loan provided by Crown Infrastructure Partners (CIP) for the construction of Enable's ultra-fast fibre network.



OVERVIEW OF SUSTAINABILITY BOND ISSUE

CCHL closed its first Sustainability Bond offer in late October 2021, with \$150 million allocated.

The bond received significant interest – with offers representing more than double the initial bond offer (\$100 million plus an allowance of \$50 million for oversubscriptions). The issue margin for the fixed rate sustainability bonds was set at 0.35% per annum.

The fixed interest rate for the bonds was set at 3.01%.

The issue of this bond, only the second sustainability bond issued in New Zealand, was a major milestone for CCHL that reflects its approach to providing long-term, economic social and environmental returns to the city and region.

Recognising the integral role of sustainability in its business, CCHL's Sustainable Finance Framework was established to enable it to increase its leadership and investment in sustainability, while providing the platform for future growth in this area.

KEY TERMS OF THE SUSTAINABILITY BOND ISSUE ARE SHOWN IN THE TABLE BELOW.

Issue rating	AA- positive outlook (S&P Global Ratings)
Instrument	CCH 05/11/2026 3.01% Christchurch City Holdings Limited Bonds
Sustainability bond principles assurance	Assurance from EY confirming that CCHL's Sustainable Finance Framework continues to meet the Social Bond Principles 2021, Green Bond Principles 2021 and Sustainability Bond Guidelines 2021
Tenor	5 years
Issue date	5 November 2021
Maturity date	5 November 2026
Issue amount (NZD \$m)	150
Coupon	3.010%
ISIN	NZCCHDT895C5
NZX Code	CCH030



VALUE OF ELIGIBLE ASSETS

ELIGIBLE ASSET SCHEDULE/REGISTER AS AT 30 JUNE 2023

The net proceeds of CCHL's Sustainability Bond offer have been notionally allocated in accordance with CCHL's Sustainable Finance Framework (dated October 2021) for projects identified for positive environmental and/or social outcomes. Terms defined in CCHL's Sustainable Finance Framework have the same meaning when used in this Schedule/Register.

Eligible Assets are consistent with the sustainable finance Market Standards, being the ICMA Sustainability Bond Guidelines, Green Bond Principles (GBP) and Social Bond Principles (SBP).

At the time of issuance, the proceeds of CCHL's Sustainability Bond were notionally allocated in full to the Eligible Assets outlined in the below table.

Eligible Asset	Description	Location	CCHL Shareholding (%) ¹	Asset Value, as at 30 June 2023 (NZD \$m) ²	Eligible Categories (GBP)	Eligible Categories (SBP)	Target Population (SBP)	SDG Alignment
The Enable Fibre Optic Network ¹	Construction, development, maintenance and operation of ultra-fast fibre network and infrastructure.	Greater Christchurch, New Zealand	100%	\$668	Energy Efficiency		-	SDG 7 - Renewable Energy (Target 7.3: Double the rate of improvement in energy efficiency). SDG 9 - Innovation & Infrastructure (Target 9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes).
					-	Affordable Basic Infrastructure	Underserved, owing to a lack of essential goods and services Living below the poverty line Undereducated Unemployed	SDG 9 - Innovation & Infrastructure (Target 9.c: Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries).
					-	Access to Essential Services		SDG 4 - Quality Education (Target 4.3: Ensure equal access for all to affordable and quality technical, vocational and tertiary education, including university).
					-	Employment Generation		SDG 8 - Good Jobs and Economic Growth (Target 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading, and innovation, including through a focus on high value added and labour-intensive sectors).
						Socioeconomic Advancement and Empowerment		SDG 10 - Reduced Inequalities (Target 10.3: Ensure equal opportunity and reduce inequalities of outcome)



VALUE OF ELIGIBLE ASSETS, CONT.

Under the Sustainable Finance Framework, CCHL intends to maintain a balance of Eligible Assets that have a fair value at least equal to the original principle amount of the Sustainability Bonds at the time of issuance.

Sustainability Bond (NZX ticker)	Sustainability Bond (comprising maximum value)(NZD \$m)	Date of Issuance	Maturity Date
CCH030	\$150m	5 November 2021	5 November 2026

Total Eligible Assets	\$668m
Sustainability Bond	\$150m
Surplus Eligible Assets	\$518m
Eligible Asset Ratio:	4.4x

EY's Limited Assurance (dated September 2023) concludes that nothing came to its attention that causes it to believe that the subject matter (i.e. CCHL's Sustainable Finance Framework and Eligible Asset Schedule/Register) was not prepared, and presented fairly, in all material respects, in accordance with the criteria, which are listed below:

- (1) Green Bond Principles 2021;
- (2) Social Bond Principles 2021;
- (3) Sustainability Bond Guidelines 2021; and
- (4) CCHL's Sustainable Finance Framework (which forms the criteria for assessing asset eligibility).



Note:

¹ The Enable fibre network was constructed and owned by Enable Networks Limited (ENL), a subsidiary of Enable Services Limited (ESL), which is in turn a wholly owned subsidiary of CCHL. Construction of the fibre network was completed in 2018. The Crown holds one share in ENL which does not confer on it any voting rights or rights to dividends but gives the Crown rights of control over ENL's business activities under certain circumstances (as set out in ENL's constitution). In this Register, ESL means the ESL Group (including ENL).

² The fair value of CCHL's equity investment in ESL is \$668m (independent valuation by Deloitte as at 30 June 2023), represented by the enterprise value of ESL of \$964m less debt of \$296m. The fair value of the fibre optic network owned by ENL, being the main asset that makes up the enterprise value, is \$780m (independent valuation by Deloitte as at 30 June 2023). CCHL has used the equity investment value of \$668m for the purpose of this Eligible Asset Register. None of ESL's own borrowing has been allocated as green, social or sustainable against the value of the fibre optic network.



VALUE OF SUSTAINABILITY BOND ON ISSUE

\$150m of 3.01% fixed rate bonds, issued on 05-Nov-21,
maturing on 05-Nov-26. Trading as “CCH030” on NZX.





IMPACT OF OUR SUSTAINABILITY BOND

Established more than 15 years ago, Enable provides highly sustainable and efficient broadband services to three quarters of the Christchurch broadband market. Its role in connecting homes, offices, schools and medical centres to high speed internet services has been transformational for the city, particularly in terms of access to education, health services, remote working and international markets. The network was created through the investment of CCHL, as part of a focus on building a more robust and accessible fibre network, owned by and for the people of Ōtautahi Christchurch. The sustainability bond has been used to refinance the debt incurred in the construction of the Enable broadband fibre network.



GREEN BOND PRINCIPLES:

For more than 151,000 fibre broadband customers across greater Ōtautahi Christchurch, fibre broadband represents the most sustainable option for internet access. With a lower per-user electricity footprint than all other fixed broadband alternatives in New Zealand for connections of 50 Mbps and above (Sapere 2021), increasing fibre speeds also makes the service more energy efficient.

As well as providing sustainable services, Enable is also focused on reducing its own emissions. Through the use of renewable energy sources, establishing a fully electric fleet by 2025, and focusing on emissions reductions across the organisation.

A good example of the organisation's approach to energy use is the installation of solar panels on its network of Central Offices. These buildings power the fibre network across the city. After a pilot roll out of solar power to its Mount Pleasant Central Office, which serves 12,000 local customers, Enable has now completed the installation of solar panels at its Burwood and Rolleston sites, powering the fibre network used by a further 36,000 customers.

Once completed, it is expected that solar power will provide up to 20% of the total energy consumed by the Enable Central Offices.



SOCIAL BOND PRINCIPLES:

Providing greater and more equitable access to the internet for the Ōtautahi Christchurch community has been a strong driver for the development of the Enable fibre network.

Digital inequality in education has been of particular concern, which was highlighted during the COVID-19 pandemic, when students across the city needed to adapt quickly to remote learning. As part of its response to the immediate needs created by the COVID-19 lockdowns, in 2020, Enable launched an initiative to provide a free wholesale fibre broadband connection to every home where a school student was unable to access the internet. Working alongside the Ministry of Education, Enable saw this as an opportunity to reduce the barriers some local students were facing to continuing their education.

Enable has also worked with the Ōtautahi Community Housing Trust (ŌCHT) to address digital exclusion with two initiatives aimed at supporting tenants' access to the digital world. Enable has deployed fibre-based Wi-Fi to 18 of ŌCHT's community lounges and is also supporting ŌCHT to provide an internet service to its tenants. Under the scheme, eligible ŌCHT tenants will have access to a free in-home internet service for up to two years.

To enhance the experience of visiting the inner city, for residents and visitors alike, Enable – alongside Christchurch City Council – also introduced the Christchurch Free Wi-Fi service. The high-speed service supports the city's tourism and economic development strategies, while also enhancing the resources available to local students and residents. Free connectivity throughout the inner-city shopping and entertainment precinct is designed to reinforce the experience of living, working and travelling within a 21st Century city.



Independent practitioner's assurance report to Christchurch City Holdings Limited Management

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Eligible Asset Register disclosed within Christchurch City Holdings Limited's Annual Sustainable Finance Report, for the year ended 30 June 2023, has not been prepared, in all material respects, in accordance with the Criteria defined below.

Scope

We have been engaged by Christchurch City Holdings Limited ("CCHL") to perform a 'limited assurance engagement' as defined by International Standards on Assurance Engagements (New Zealand) 3000 (Revised), here after referred to as the engagement, to report on CCHL's Eligible Asset Register (the "Subject Matter") contained within CCHL's Annual Sustainable Finance Report for the year ended 30 June 2023 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by CCHL

In preparing the Subject Matter, CCHL applied the following criteria:

Subject Matter	Criteria
CCHL's Eligible Asset Register as at 30 June 2023	<ul style="list-style-type: none"> ▶ CCHL Sustainable Finance Framework (which forms the criteria for assessing asset eligibility) ▶ Sustainability Bond Guidelines (2021)¹ ▶ Social Bond Principles (2021)²; and ▶ Green Bond Principles (2021)³

CCHL's responsibilities

CCHL's management ("management") is responsible for selecting the Criteria and for presenting the Subject Matter in accordance with that criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

Our engagement was conducted in accordance with the *International Standard for Assurance*

Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000 (Revised)') and the terms of reference for this engagement as agreed with CCHL on 26 June 2023. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our independence and quality management

We are independent of CCHL and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements*, which requires that we design, implement, and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

¹ [Sustainability Bond Guidelines \(2021\)](#)

² [Social Bond Principles \(2021\)](#)

³ [Green Bond Principles \(2021\)](#)



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working world**

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for the Subject Matter and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- ▶ Testing the Eligible Asset valuation as of 30 June 2023.
- ▶ Assessing the environmental aspects of projects included in the Eligible Asset Register.

We also performed such other procedures as we considered necessary in the circumstances.

Restricted use

This report is intended solely for the information and use of CCHL, and is not intended to be and should not be used by anyone other than the specified party.

The Ernst & Young signature logo is a stylized, handwritten-style script in dark blue, featuring a large 'E' and 'Y' with a small cross between them.

Ernst & Young Limited
18 September 2023
New Zealand



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