



Powering Aotearoa New Zealand with Manawa Energy

# Sustainable Finance Framework

October 2023



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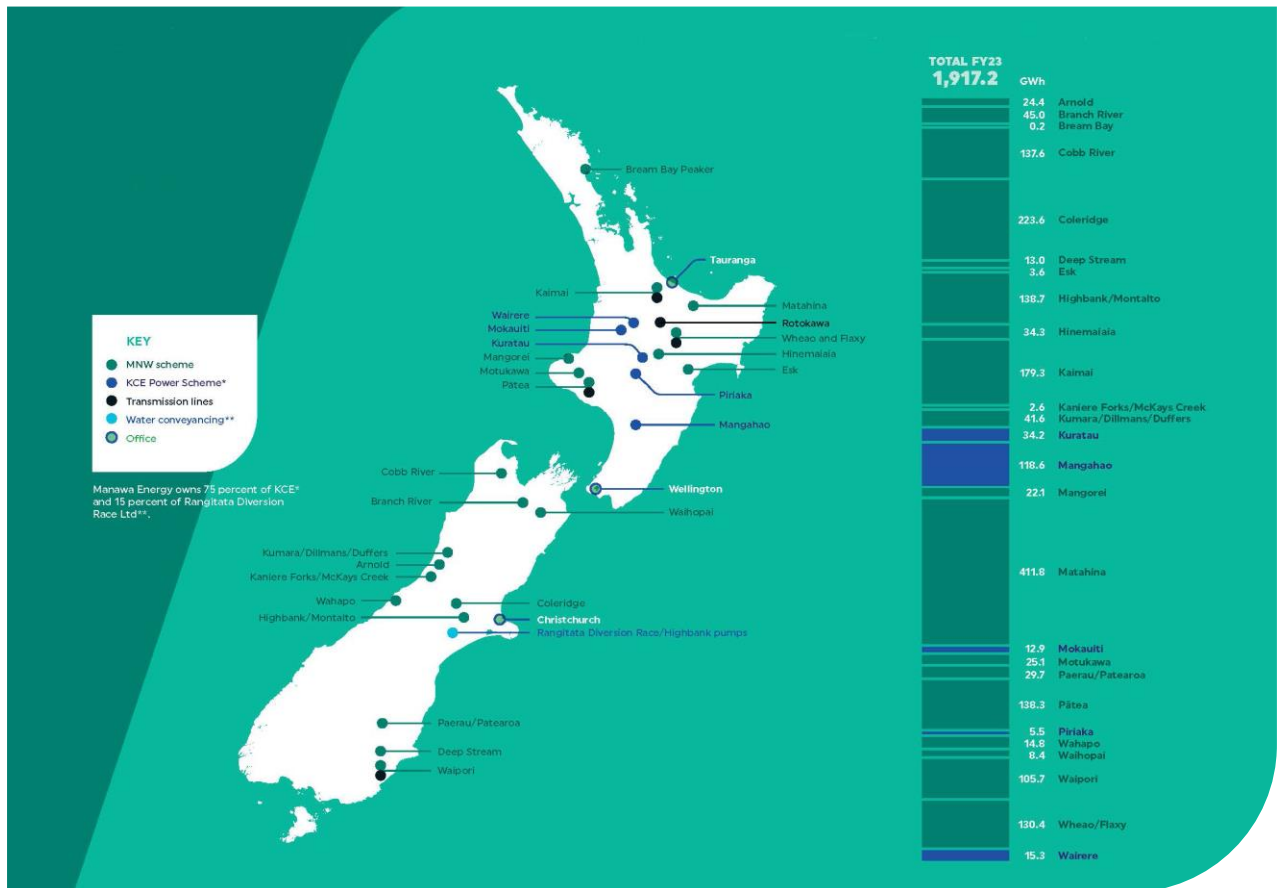
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# 1. Manawa Energy and sustainability

## An Introduction to Manawa Energy

Manawa Energy Limited (**Manawa**) is Aotearoa New Zealand’s largest independent electricity generator. Manawa has 26 generation schemes representing about 5% of New Zealand’s existing generation capacity<sup>1</sup>. Over 99% of our annual power production is renewable, produced by 25 hydroelectric power schemes throughout New Zealand. This includes five hydroelectricity schemes owned by King Country Energy Limited, 75% owned by Manawa.



With the New Zealand economy expected to continue decarbonising, demand for electricity is expected to grow by 30-40% over the next 20 years<sup>2</sup>. This growth in demand, primarily through electrification of transport and industry, underpins our strategy of investing in the development and delivery of new renewable generation capacity.

## Sustainability reporting & monitoring

Since FY20, we’ve reported using the Integrated Reporting Framework,<sup>3</sup> showing how Manawa creates value through our value-creation model and our six capital areas. We’ve also undertaken work to further understand Manawa’s climate-related risks and opportunities while we prepare to fully adopt the Task Force on Climate-related Financial Disclosures (**TCFD**) framework (many of the TCFD reporting recommendations are already contained in Manawa’s FY23 reporting).

<sup>1</sup> As at May 2022.

<sup>2</sup> Climate Change Commission, *Electricity market modelling results summary*, published 22 February 2021.

<sup>3</sup> The [Integrated Reporting Framework](#) recognises the dynamic complexity of the system we operate in (both natural and man-made) and promotes reporting on tangible and non-tangible assets that create value for its business and shareholders.



We participate in the annual GRESB survey, a benchmarking assessment which captures information regarding environmental, social and governance (**ESG**) performance and best practices for infrastructure companies (among other entities) worldwide.

Given our reliance on natural resources, we maintain a strong focus on respecting and caring for the environment. Our approach is backed up by an Environmental Management System aligned with ISO14001.

## Sustainability strategy

Manawa means 'heart' and it speaks to the heart of our operations in the Bay of Plenty. We are connected with communities across Aotearoa New Zealand through our generation assets.

Our goal is a sustainable business that contributes to the people and places of Aotearoa New Zealand.

Manawa is a positive contributor to New Zealand's climate change efforts. We are committed to helping New Zealand achieve its climate change aspirations through continued investment in renewable energy, reduction of our environmental impact and encouraging our partners and suppliers to do the same.

Manawa is seeking to address New Zealand's ambitious goals for decarbonisation by focusing our business on developing more renewable electricity to meet tomorrow's energy needs. These developments will build on Manawa's core competency of owning and operating small-mid scale renewable generation, with a focus on local communities.

Looking ahead, our growth focus is expected to be solar and wind projects. Our new development pipeline is high quality and we are confident our investors will be presented with attractive growth options from it in line with development progress and market demand.

Another theme of our strategy is enhancing the value of existing generation assets, including through the hydro enhancement programme. We are investing prudently for long-term success. We are progressing a 7-year capital investment programme through until FY28 and investing more than \$200m enhancing, replacing and refurbishing our hydro assets as well as undertaking necessary work as part of our extensive dam safety programme. This investment will increase the reliability of our assets and increase our production as well as ensure we meet our regulatory and compliance obligations.



Manawa Energy emerged in May 2022 following a significant restructure of the company's business model to primarily focus on electricity generation.

We are therefore in the process of developing a new sustainability strategy that will take into account the refreshed scope and context of the Manawa business and its strategic aspirations. It will be themed around the three sustainability pillars that are material to the delivery of Manawa's Strategic Plan:

- Natural resources and climate change;
- Our people, communities, and relationships; and
- Leadership, transparency, and performance.

Under each of the pillars, work is underway to identify key focus areas and develop a detailed plan that sets out the ESG activities that will be pursued to drive the delivery of Manawa's strategy and to create



measurable, material and meaningful impact. We already have a solid ESG foundation upon which to build our strategy.

We are committed to:

- Finalising our new sustainability strategy;
- Setting new ESG targets and key performance indicators (**KPIs**) where these haven't already been established and embedding these into Manawa's performance framework; and
- Prioritising our effort in areas that are aligned to delivering on Manawa's Strategic Plan.

When our new sustainability strategy is confirmed, we will update this section.

## 2. About this Framework

To recognise Manawa's focus on sustainability and its commitment to invest in sustainable assets and outcomes, we have developed this Sustainable Finance Framework (**Framework**).

Through this Framework, Manawa will support Aotearoa New Zealand's renewable energy and net-zero emissions goals, and provide a mechanism for investors to contribute capital to achieve their sustainability goals.

This Framework outlines how Manawa intends to issue and manage bonds or loans (**Sustainable Debt**) in alignment with the relevant sustainable finance principles and guidelines (the **Market Standards**)<sup>4</sup>.

Manawa may issue or manage the following Sustainable Debt instruments (such as bonds, loans and/or derivatives) in accordance with the applicable Market Standards:

- **Use of Proceeds Instruments (i.e. Green Bonds and/or Loans)**, where an amount equal to the net proceeds of the Green Bonds and/or Loans are notionally allocated to finance or refinance Eligible Assets (as defined below); and/or
- **Sustainability-Linked Instruments (i.e. Sustainability-Linked Bonds and/or Loans)**, where the economic terms of the applicable financing instruments are linked to Manawa's achievement of material sustainability performance targets.

## 3. Sustainability governance

Manawa's Board of Directors (**Board**) has ultimate oversight of the sustainability strategy, which will be developed, owned and executed by the Executive Team. An internal Sustainable Debt Committee (the **Committee**) has been formed to govern Manawa's sustainable finance programme.

The Committee comprises senior representatives of Manawa's Treasury and Sustainability functions and is responsible for overseeing the implementation of the sustainability strategy, reviewing performance, and reporting back to the Board on key matters.

The Committee formally reports to Manawa's Board at least once a year. Membership of the Committee is designed to ensure there is sufficient subject matter expertise to meet the obligations set out in this Framework. The Committee may be supplemented from time-to-time, or expanded, by representatives from other teams.

The Committee will review and provide a recommendation to Manawa's Board prior to issuance of a Sustainable Debt instrument and will be responsible for monitoring compliance with the reporting and external review requirements of this Framework and the applicable Market Standards.

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<sup>4</sup> The market standards are the voluntary sustainable finance principles and guidelines issued by the International Capital Market Association (**ICMA**), the Asia-Pacific Loan Market Association (**APLMA**), the Loan Market Association (**LMA**) and the Loan Syndications and Trading Association (**LSTA**) as they may evolve over time (together, the **Market Standards**).



- For Use of Proceeds Instruments, the Committee has oversight of Manawa's reporting obligations and the notional allocation of the net proceeds to Eligible Assets under this Framework; and
- For Sustainability-Linked Instruments, the Committee has oversight of Manawa's performance against the sustainability performance targets.

## 4. Use of proceeds instruments

This Framework addresses the key elements of the Market Standards for Use of Proceeds Instruments, as outlined further in the following sections:

- 4.1 Use of Proceeds;
- 4.2 Process for Project Evaluation and Selection;
- 4.3 Management of Proceeds;
- 4.4 Reporting; and
- 4.5 External Review

### 4.1 Use of proceeds

Manawa intends to notionally allocate an amount equal to the net proceeds from its Use of Proceeds Instruments to finance and/or refinance assets, projects and/or activities (including capex and, if appropriate, operating and other related expenditures) that meet the below eligibility criteria and which demonstrate clear environmental benefits (**Eligible Assets**).

Eligible Assets may include projects delivered, or in the process of being delivered, which Manawa (or a subsidiary):

- owns outright;
- partially owns (for example, through a joint venture); or
- has an interest in because it holds a direct or indirect equity investment in the owner (or its ultimate parent) of the relevant assets.

In the case of partial ownership, the amount of Manawa's Use of Proceeds Instruments that it may notionally allocate to that Eligible Asset will not exceed Manawa's proportionate share of the Eligible Asset.

In the case of an equity investment, the amount notionally allocated will not exceed the proportionate value of the relevant Eligible Asset (with that proportion being equal to the percentage of Manawa's equity investment).

Manawa may notionally allocate an amount equal to the net proceeds from its Use of Proceeds Instruments to refinance an existing Eligible Asset without any limitation on the look-back period.

#### 4.1.1 Eligibility criteria




Examples of Eligible Assets are outlined in the criteria below (**Eligibility Criteria**) and will comply with the Green Bond Principles (**GBP**)<sup>5</sup> and/or the Green Loan Principles (**GLP**)<sup>6</sup>.

Green Bonds issued by Manawa are only fungible with bonds aligned with the underpinning criteria linked to Green Bonds and compliant with this Framework and the Market Standards.

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<sup>5</sup> [ICMA Green Bond Principles 2021 \(GBP\)](#)

<sup>6</sup> [APLMA Green Loan Principles 2023 \(GLP\)](#)

Eligible Categories (GBP/GLP)	Eligibility Criteria	SDG Alignment
<p><b>Renewable Energy</b></p>	<p>Expenditure, financing and/or refinancing related to the construction, transmission, maintenance, operation and/or expansion of renewable energy generation projects.</p> <p>Renewable Energy examples include but are not limited to:</p> <p><b>Hydroelectricity:</b></p> <ul style="list-style-type: none"> <li>- Run of river hydroelectricity schemes;</li> <li>- Small scale hydroelectricity schemes (&lt; 15MW capacity);</li> <li>- Natural lake system hydroelectricity schemes that do not significantly alter an ecosystem;</li> <li>- Hydroelectricity schemes with a power density<sup>7</sup> of at least 5W/m<sup>2</sup>; or</li> <li>- Asset maintenance or upgrade works that enhance the efficiency or production of renewable energy generation capacity across existing hydroelectricity assets.</li> </ul> <p><b>Solar:</b> Any onshore solar energy project and/or transmission and supporting infrastructure. This includes solar photovoltaic and solar thermal activities.</p> <p><b>Wind:</b> Any onshore wind energy project and/or transmission and supporting infrastructure.</p> <p>This also includes technology/componentry manufacturing that contributes to renewable energy generation that meets the above criteria (e.g. wind turbines and solar panels).</p>	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="margin-bottom: 10px;">  <p><b>Target 7.2:</b> Increase substantially the share of renewable energy in the global energy mix.</p> </div> <div style="margin-bottom: 10px;">  <p><b>Target 9.1:</b> Develop quality, reliable, sustainable, and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.</p> </div> <div>  <p><b>Target 13.1:</b> Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.</p> </div> </div>

## 4.2 Process for project evaluation and selection:

The Committee will manage the Eligible Asset selection process and will consider each proposed asset or project against the following factors:

- Alignment to Manawa’s sustainability strategy as outlined in section 1;
- Conformance with the Market Standards (as applicable);
- Conformance with the Eligibility Criteria set out in in section 4.1.1;
- Alignment to the United Nations Sustainable Development Goals, as well as potential environmental outcomes arising from the Eligible Asset(s);
- Manawa’s own professional judgement, discretion and sustainability knowledge;
- Assessment of any perceived, actual or potential social and/or environmental risks or impacts from the Eligible Asset(s) and mitigants to these impacts; and

<sup>7</sup> Power density is measured as the installed capacity of a scheme, divided by the surface area of the lake/reservoir (measured in W/m2). The conditions of the nominated hydroelectricity projects were evaluated by the external reviewer to the nearest whole figure.



- Conformance with any other applicable selected principles, standards, or tools (such as the Climate Bonds Standard) that are or become both commonplace and respected in the market.

Eligible Assets may be replenished if underlying Eligible Assets are sold or disposed of, non-eligible assets are removed, or additional Eligible Assets are identified and funded.

### 4.3 Management of proceeds

Manawa will track the receipt and notional allocation of an amount equal to the net proceeds from the Use of Proceeds Instruments.

Manawa will maintain a register of Eligible Assets that outlines (among other things) the notional allocation of an amount equal to the net proceeds from the Use of Proceed Instruments against each Eligible Asset, its current book value, and disclosure of any unallocated proceeds from the Use of Proceed Instruments (**Eligible Assets Register**).

Manawa intends to maintain a balance of Eligible Assets that have an aggregate book value which is at least equal to the sum of the net proceeds from the Use of Proceeds Instruments. The Eligible Assets Register will be included in monitoring reports provided to the Committee on at least an annual basis.

NZX has approved a “Green Bond” designation in respect of Manawa’s existing NZDX quoted bonds (MNW170, MNW180, MNW190) and Manawa has notionally allocated the net proceeds of these existing Green Bonds to refinance Eligible Assets. In relation to new Use of Proceeds Instruments issued after the date of this Framework, Manawa intends to notionally allocate an amount equal to the net proceeds to finance and/or refinance Eligible Assets upon issuance (and in any event within 24 months of the issue date).

In the unlikely event that the net proceeds from the Use of Proceeds Instruments are unallocated to Eligible Assets within this timeframe, Manawa will ensure that any unallocated proceeds shall be temporarily:

- Held in cash or cash equivalent instruments within a Treasury function;
- Held in investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or
- Applied to temporarily reduce indebtedness of a revolving nature before being redrawn for allocation to Eligible Assets.

Manawa will service its debt obligations under its Use of Proceeds Instruments out of its general cashflows and not specifically from revenues generated by Eligible Assets alone.

### 4.4 Disclosure and reporting

Manawa recognises the importance investors place on transparency and disclosure relating to Use of Proceeds Instruments. Reporting will be made available directly to lenders (at a minimum) for loans, and publicly available on its website for bonds.

Item	Frequency
Framework	Published at (or prior to) establishment of this Framework and upon any amendment that occurs thereafter
Pre-Issuance External Review Report	Published upon establishment of this Framework (external review may be sought again if the Framework materially changes or if an issuance requires it)





Annual Update Report	Published annually following issuance or management of a Use of Proceeds Instrument
Post-Issuance External Review Report	Published at least once post-issuance or management of a Use of Proceeds Instrument (or annually if deemed necessary by Manawa)

Manawa will disclose Annual Update Reports in line with Market Standards and include the following information:

- **Allocation Reporting:** A list and description of the Eligible Assets and the amount of Use of Proceeds Instruments notionally allocated towards such Eligible Assets. This includes confirmation of whether all Use of Proceeds Instruments have been fully allocated.
- **Eligibility Reporting:** Confirmation that the Eligible Assets meet the relevant Eligibility Criteria included in this Framework and including information on the characteristics and performance of the Eligible Assets.
- **Impact Reporting:** Manawa will endeavour to provide qualitative and/or quantitative reporting on the environmental impacts resulting from the Eligible Assets. Subject to the nature of Eligible Assets and the availability of information, Manawa will look to utilise the impact reporting guidelines ([ICMA Harmonised Framework for Impact Reporting, June 2022](#)) as detailed within the Market Standards. This may include one or more of the following example impact reporting indicators.
  - o Annual (or long-term average) renewable electricity generation (GWh);
  - o Capacity of renewable energy plant(s) (MW);
  - o Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub> equivalent); or
  - o Emissions intensity (tonnes of carbon dioxide released per kilowatt hour of energy produced).

#### 4.5 External review

For the issuance and management of Use of Proceeds Instruments, Manawa will seek external review from an independent and recognised sustainable finance verifier. Manawa is committed to transparency and will make the external review reports publicly available. In relation to Use of Proceeds Instruments:

- In July 2023 Manawa obtained a Pre-Issuance External Review Report (in the form of a Second Party Opinion) from DNV that the Framework and Eligible Assets outlined in the Eligible Assets Register align to the relevant Market Standards; and
- At least once after issuance or management of a Use of Proceeds Instrument (or annually if deemed necessary by Manawa), Manawa will obtain a Post-Issuance External Review Report upon its Annual Update Report and the management of proceeds from the Use of Proceeds Instruments aligning to this Framework and the Market Standards (as applicable).

### 5. Important notice

This Framework does not form part of the contractual terms of any Use of Proceeds Instruments. If Manawa fails to comply with this Framework (including its sustainability strategy) or satisfy the Market Standards, then:

- this does not constitute an event of default, event of review or any other breach in relation to the Use of Proceeds Instrument; and
- there is no requirement for Manawa to repay the Use of Proceeds Instrument early as a result of this non-compliance.



This means there is no legal obligation on Manawa to comply with this Framework or satisfy the Market Standards on an ongoing basis. However, in the event Manawa fails to comply with this Framework or satisfy the Market Standards, then the Use of Proceeds Instruments may cease to be labelled as “Green” and Manawa will disclose this information within its next Annual Update Report.

## 6. Sustainability-linked instruments

Sustainability-linked instruments are loans or bonds that link the issuer’s cost of borrowing to its performance against material sustainability KPIs and pre-defined Sustainability Performance Targets (**Sustainability-Linked Instruments**).

Sustainability-Linked Instruments will be issued or managed by Manawa in accordance with this Framework.

- Any Sustainability-Linked Instruments entered by Manawa that are loans will be structured in accordance with the Sustainability-Linked Loan Principles (**SLLP**)<sup>8</sup>; and
- Any Sustainability-Linked Instruments issued by Manawa that are bonds will be aligned to the Sustainability-Linked Bond Principles (**SLBP**)<sup>9</sup>.

When issuing or managing any Sustainability-Linked Instruments, Manawa will communicate how the instrument, the KPIs and the targets are material to Manawa and aligned with its sustainability strategy.

In accordance with the SLLPs and the SLBPs, Manawa’s Sustainability-Linked Instruments will be managed in alignment with the following core components:

- 6.1 Selection of KPIs;
- 6.2 Calibration of Sustainability Performance Targets;
- 6.3 Instrument Characteristics;
- 6.4 Reporting and Disclosure; and
- 6.5 External Review.

### 6.1 Selection of KPIs

Manawa will select measurable and quantifiable sustainability KPIs, that are relevant, core and material<sup>10</sup> to the business, of high strategic significance to Manawa’s current and future operations and recognised as key challenges for the electricity generation sector.

When issuing or managing any Sustainability-Linked Instruments, Manawa is likely to select one or more of the following KPIs to apply to that Sustainability-Linked Instrument.

Environmental KPIs
Reduce greenhouse gas emissions in alignment with a science-based trajectory.
Increase renewable energy generation.
Preserve and restore water quality and biodiversity.
Improve energy efficiency of assets, machinery, equipment and/or buildings.

Social KPIs
Improve diversity and inclusion across staff.
Reduce recordable injuries or total recordable injury frequency rates.
Other social metrics that are relevant to Manawa’s overall sustainability strategy.

<sup>8</sup> [APLMA Sustainability-Linked Loan Principles 2023 \(SLLP\)](#)

<sup>9</sup> [ICMA Sustainability-Linked Bond Principles 2023 \(SLBP\)](#)

<sup>10</sup> Material issues to stakeholders have been identified by Manawa on page 21 of its [2020 Annual Report](#)



Other environmental metrics that are relevant to Manawa's overall sustainability strategy.

## 6.2 Calibration of sustainability performance targets

To incentivise performance against the KPIs, Manawa will select one or more timebound Sustainability Performance Targets (**Targets**) that are:

- consistent with Manawa's sustainability strategy;
- represent a material improvement in the KPI over the life of the Sustainability-Linked Instrument;
- are beyond a "business as usual" trajectory; and
- are set in accordance with the SLLP or the SLBP (as applicable).

Targets will be set at the inception of each new issuance of a Sustainability-Linked Instrument, and with reference to Manawa's historical performance, peer performance and scientific data. For example science-based scenarios, regional, national or international targets, or other best-available technologies or methodologies.

Future events not directly related to Manawa's sustainability performance may result in the recalculation of the Targets, including with respect to the baseline or calculation methodology. Future events may include, but are not limited to, mergers and acquisitions, divestitures and disposal of assets. Any recalculations, revision to the baseline year and/or changes in KPI/Target will be externally verified.

## 6.3 Instrument characteristics

The net proceeds of Manawa's Sustainability-Linked Instruments will be used for general corporate purposes.

Any Sustainability-Linked Instruments Manawa may issue or manage will have a financial characteristic linked with the performance by Manawa of one or more Targets.

This may include premium and/or discount incentives (depending on the transaction), that are commensurate and meaningful relative to Manawa's original bond or loan structure and will reflect market practice. The magnitude of the pricing adjustment as well as the effective trigger event date(s), will be clearly detailed in the relevant documentation for each transaction.

For any Sustainability-Linked Bonds issued by Manawa, the financial characteristic applicable if Manawa does not achieve the Target by the required date will be a coupon adjustment either during the lifetime of the instrument or at its maturity, the details for which will be specified in the relevant documentation of each Sustainability-Linked Bond issuance.

## 6.4 Disclosure and reporting

Manawa is committed to transparency and will disclose and report on its Sustainability-Linked Instruments.

For Sustainability-Linked Loans, Manawa and the relevant lenders will agree on the appropriate reporting parameters and the schedule for disclosing information. This will most likely be annual and align with Manawa's annual reporting on sustainability performance.

For Sustainability-Linked Bonds (including private placement bonds), Manawa will keep up-to-date and make available to investors and the general public at least annually (and at a date relevant for assessing the Target(s) performance leading to a potential adjustment of the financial and/or structural characteristics), the following information:



- Manawa's performance against each Target for the duration of the Sustainability-Linked Bond;
- Verification of the performance against the Targets (as outlined below);
- Any other information enabling investors to monitor the level of ambition of the Targets; and
- Other requirements set out in the Market Standards.

## 6.5 External review

To provide stakeholders with certainty that Manawa's Sustainability-Linked Instrument is structured and reported in alignment to the SLLP or the SLBP (as applicable), Manawa will seek external review of the following:

- **Before issuance:** An External Review Report (limited assurance or a Second Party Opinion) that the Sustainability-Linked Instrument aligns to the SLLP or the SLBP (as applicable), with such assessment covering the materiality of the selected KPIs, nature and ambition of the Target(s), credibility of Manawa's strategy to achieve the Targets, and verification of baseline performance (as applicable); and
- **After issuance:** Ongoing External Review Reports (limited assurance or a Second Party Opinion) (at least annually, and at a date relevant for assessing the Target performance) on Manawa's performance against the Target(s) for each KPI. This may cover any material change to the KPI methodology or Target calibration.

These reviews will be made available to lenders at a minimum for Sustainability-Linked Loans and will be made publicly available for Sustainability-Linked Bonds.

## 7. Continuous improvement

Manawa will monitor how the Market Standards and the global sustainable finance markets continue to develop and adapt its approach to sustainable finance as relevant. Manawa may update this Framework from time to time in its discretion, including to ensure it remains in line with market practice and the Market Standards.

For the ongoing enhancement of Manawa's Sustainable Debt, we welcome feedback and input from stakeholders as this will support Manawa to deliver on its sustainability objectives and meet the needs of investors and stakeholders.

## 8. Further information

More information on Manawa's approach to sustainability can be found:

**On our website and in our Integrated Report:** <https://www.manawaenergy.co.nz/investor-centre>

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