

STATEMENT OF INTENT **2023-2027**

To be presented to the House of Representatives
pursuant to the Crown Entities Act 2004.



CHAIR'S FOREWORD & STATEMENT OF RESPONSIBILITY



Tēnā koutou katoa

I am pleased to present the 2023-2027 Statement of Intent for New Zealand Green Investment Finance (NZGIF). Since our establishment in 2019, NZGIF has made significant strides in accelerating the just transition to a low carbon economy in Aotearoa New Zealand.

We have made a number of strategic investments that will have a lasting impact on the environment and economy, and we are proud to have worked with a diverse range of stakeholders to deliver these outcomes.

As we look to the future, we remain committed to delivering positive climate change outcomes through our investments. We are confident in our ability to deliver on this goal and have a clear plan for our medium-term growth. Our focus is on making investments that will deliver decarbonisation opportunities at scale and demonstrate to other investors that climate positive investments make sound commercial sense. Doing so enables us to attract private capital to invest alongside us and encourages private capital to invest in decarbonisation.

NZGIF operates in a rapidly changing global environment, where the need for urgent action on climate change is more pressing than ever before. The Paris Agreement commits countries to limit global warming to 1.5°C above pre-industrial levels and there is a growing recognition of the need to transition to a low-carbon economy. There is also a recognition that public finance will not

be sufficient to meet this challenge; public and private finance working in partnership is required and NZGIF is focused on making this happen.

At NZGIF, we know that our people are our most important asset, and we are committed to investing in their ongoing development and growth. We will continue to build a culture of excellence and innovation where our team is empowered to make a positive impact on the environment and our economy.

We are also focused on continuously improving our processes and systems. This includes leveraging technology and insights to inform our investment decisions, as well as streamlining our operations to maximise efficiency.

We are excited about the future of NZGIF and the role we can play in accelerating the just transition to a low carbon economy. We look forward to continuing to work with our partners and stakeholders to deliver positive outcomes for the environment and society.

Nō reira, tēnā koutou, tēnā koutou, tēnā koutou katoa

Cecilia Tarrant
 Chair
 New Zealand Green Investment Finance Limited
 30 June 2023



“We are also focused on continuously improving our processes and systems to deliver the best possible outcomes for our stakeholders.”

/ OUR ORGANISATION

Who we are

New Zealand Green Investment Finance (NZGIF) is Aotearoa New Zealand's green investment bank. We exist to accelerate investment that supports New Zealand's decarbonisation.

At NZGIF, we aim to promote a prosperous, healthy and resilient future for Aotearoa New Zealand. We use our direct investments, products and programmes to empower businesses and organisations to reduce greenhouse gas emissions and create economic opportunities, accelerating the just transition to a low carbon future.

We are a long-term, purpose-driven investor, providing innovative, flexible and tailored capital solutions to support decarbonisation initiatives across a broad range of sectors.

Our team of investment experts work alongside businesses to deliver bespoke and innovative investment structures, products and programmes that enable New Zealand businesses to reach their decarbonisation goals faster. Our values define the way we work, and we are driven to deliver improved outcomes for New Zealand.

Our flexible mandate enables us to be agile and innovative in structuring direct investments and bringing bespoke and scalable green investment products to the New Zealand market.

Our purpose and objectives

Through our investment activity, we stimulate capital markets, attract private capital and demonstrate to the market what green investment looks like.

We deploy our investment capital with other investors on a commercial basis in companies, projects and technologies that accelerate emissions reductions.

We invest in scalable companies, technologies and projects that are commercial-ready and offer carbon reduction benefits for New Zealand. Our investments range from senior debt to equity and we have the ability to offer terms and tenor, and take risk positions, that don't meet the mandates of traditional investors.

We are a young company with a big mission. To achieve our aspirations, we constantly assess how we can better invest in our people, processes and systems to ensure NZGIF is well placed for growth over the medium term.

Our ambition and impact show the market what is possible when capital is coupled with purpose to enable New Zealand's low carbon future.



"To achieve our aspirations, we constantly assess how we can better invest in our people, processes and systems..."

Our objectives guide our investment decisions



Invest to reduce emissions

Estimated lifetime emissions benefits through our investments



Crowd-in private capital

Private capital is deployed into investments



Show market leadership

We demonstrate the benefits of low carbon investment to the market



Invest on a commercial basis

Generating risk-adjusted returns from our portfolio

Our structure and governance

NZGIF is listed in Schedule 4A to the Public Finance Act 1989. The Minister of Finance and Minister for Climate Change each hold 50 percent of NZGIF's issued share capital.

As a limited liability company, we make our own investment decisions, informed by a board and team with expertise in investments and financial markets.

Shareholding Ministers appoint our Board and the Board is responsible for setting our strategic priorities and ensuring that we achieve results within agreed budgets. The Board oversees and monitors organisational performance and maintains a strong, trusted relationship with our Chief Executive, the leadership team and Shareholding Ministers. Day-to-day management and the leadership of NZGIF is delegated to our Chief Executive.

NZGIF's legislative framework

We operate under a legislative framework that includes the Companies Act 1993, Public Finance Act 1989, and Crown Entities Act 2004. As a Crown-owned entity, we are also subject to the Official Information Act 1982 and the Ombudsmen Act 1975.

Funding our activities

As a commercial entity, NZGIF seeks to fund its operations through income generated from our investment activities. On establishment, our base capital was provided by the Government through two Vote Finance capital appropriations.

- **For investment capital**, the Crown has appropriated \$700m to NZGIF consisting of \$100m through Budget 2018, \$300m through Budget 2021 and a further \$300 through Budget 2023. \$400m of this capital is currently drawn. The appropriated capital has been used by Shareholding Ministers to subscribe for equity in NZGIF.
- **For operating capital**, the Crown provided \$30 million for NZGIF's operating costs. The appropriation was used by NZGIF's Shareholding Ministers to subscribe for redeemable preference shares (RPS) in NZGIF, which are called by NZGIF as it incurs operating costs. To date \$28m has been called for operating purposes.

NZGIF Independent Review

In 2022, Ernst & Young undertook an independent review of NZGIF. The review focused on both the effectiveness of NZGIF in fulfilling its purpose and objectives (performance); and whether the NZGIF's mission and objectives remain relevant, and the organisation is set up for success (strategic).

The review found that on both counts NZGIF is performing well, that it is fulfilling its objectives and that the rationale for the Government's market intervention remains valid.

The review also made a number of recommendations to enhance NZGIF's performance, align it with leading practice of international green banks and to ensure NZGIF's mandate is being upheld. These recommendations will inform our organisational work programme through 2023-2024.



“The review found that on both counts NZGIF is performing well...”

STRATEGIC CONTEXT

The world is grappling with the challenges of decarbonisation. Global citizens see the impact of rising sea levels and extreme weather events that now provide regular reminders of how fast the climate is changing.

The Paris Agreement, signed by almost 200 countries, committed countries to pursue efforts to limit global warming to 1.5 degrees Celsius above pre-industrial levels. This is an ambitious goal that requires transition to a low carbon global economy. Every country needs to contribute to this effort.

New Zealand has committed to achieving net zero emissions by 2050. To achieve that, our country needs significant investment in low carbon infrastructure and technology.

Increasingly severe and unpredictable weather events have underscored the need to take urgent action to address climate change. These events demonstrate the tangible impacts of climate change on our lives and communities, including threats to public health, infrastructure, and economic stability. The need for immediate and effective action is clear, and the investment in low carbon infrastructure and technology is critical to mitigate and adapt to the impacts of climate change.

Like others, New Zealand faces a significant challenge in transitioning to a low carbon economy and reaching net zero emissions by 2050. New Zealanders and our

businesses are increasingly committed to the kaitiakitanga of our land and our environment. But the scale of the challenge is substantial and requires a major shift across all sectors of the economy, including energy, transport, and agriculture.

The economic benefits of an early transition to a low carbon economy are well documented, including improved economic resilience; new and growing employment opportunities; and improved business competitiveness. The challenge is to ensure that finance is available to support this transition.

Global macroeconomic uncertainty is impacting the flow of private finance toward decarbonisation. Supply chain and trade disruption caused by COVID-19, generationally high inflation and geo-strategic tension are driving heightened risk aversion amongst investors while demand for green finance increases exponentially.

The International Energy Agency estimates that to deliver on the climate pledges made by world leaders to the UN, USD 13.5 trillion must be invested in energy efficiency and low carbon technologies between 2015 and 2030, or USD 840 billion annually. Investment in renewable energy alone will require USD 900 billion in 2030, up from USD 286 billion in 2015.

Ngā Kōrero Āhuarangi Me Te Ōhanga Climate Economic and Fiscal Assessment 2023 and other reports outline the scale of the challenge ahead for Aotearoa New Zealand and signal the many billions of dollars of additional investment required to decarbonise our economy.

Filling this investment gap will require much more than public sector support; private finance must supply the capital to make the transition to a low carbon global economy a reality.

Like many countries, New Zealand faces domestic structural challenges to the growth of a well-functioning green finance market. These include:

- Our market is small and characterised by low transaction volumes, relatively small transaction sizes and high transaction costs
- The investor market lacks the maturity and liquidity to deliver the products, programmes and platforms required to realise the full transition to a low carbon economy
- Institutional wariness due to a lack of a track record of successful green investments

- Private investors can be constrained by mandate restrictions
- Green investment typically results in longer payback periods than traditional investors are used to
- Companies, even those with aspirations to lower emissions, can fail to prioritise lower emissions investment in capital planning or lack the capability to identify commercially viable projects and investments
- Innovative companies can lack access to capital

By addressing these market failures, NZGIF seeks to unlock private sector investment in low carbon projects and accelerate the transition to a more sustainable, prosperous, and resilient future for New Zealand. By providing financing and technical expertise, NZGIF helps to bridge the financing market gap and support low carbon projects that may not otherwise attract private sector investment.

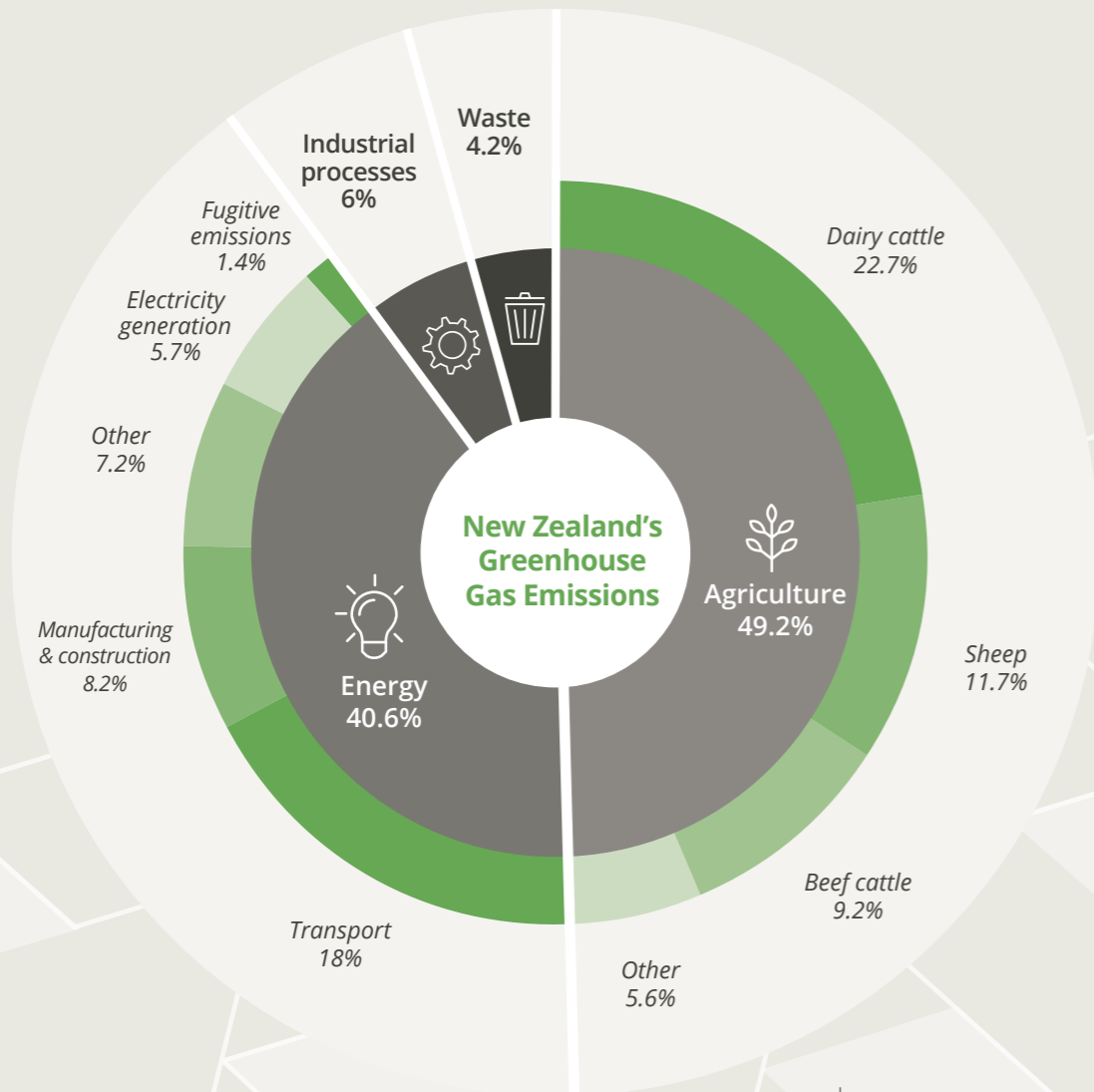


“Increasingly severe and unpredictable weather events have underscored the need to take urgent action to address climate change.”

CLIMATE CHANGE AND NEW ZEALAND'S EMISSIONS PROFILE

New Zealand's emissions profile is unusual amongst developed countries. A large proportion of our emissions come from the agriculture sector. Our electricity generation is highly renewable, but in our industrial and transport sectors the fuel mix is dominated by coal, gas and oil.

This means that New Zealand's opportunities for emissions reductions look different to those in many other countries.



Note: Percentages in graph may not add up to 100 due to rounding.

Source: New Zealand's Greenhouse Gas Inventory 1990-2021, updated April 2023.

DELIVERING ON THE SUSTAINABLE DEVELOPMENT GOALS

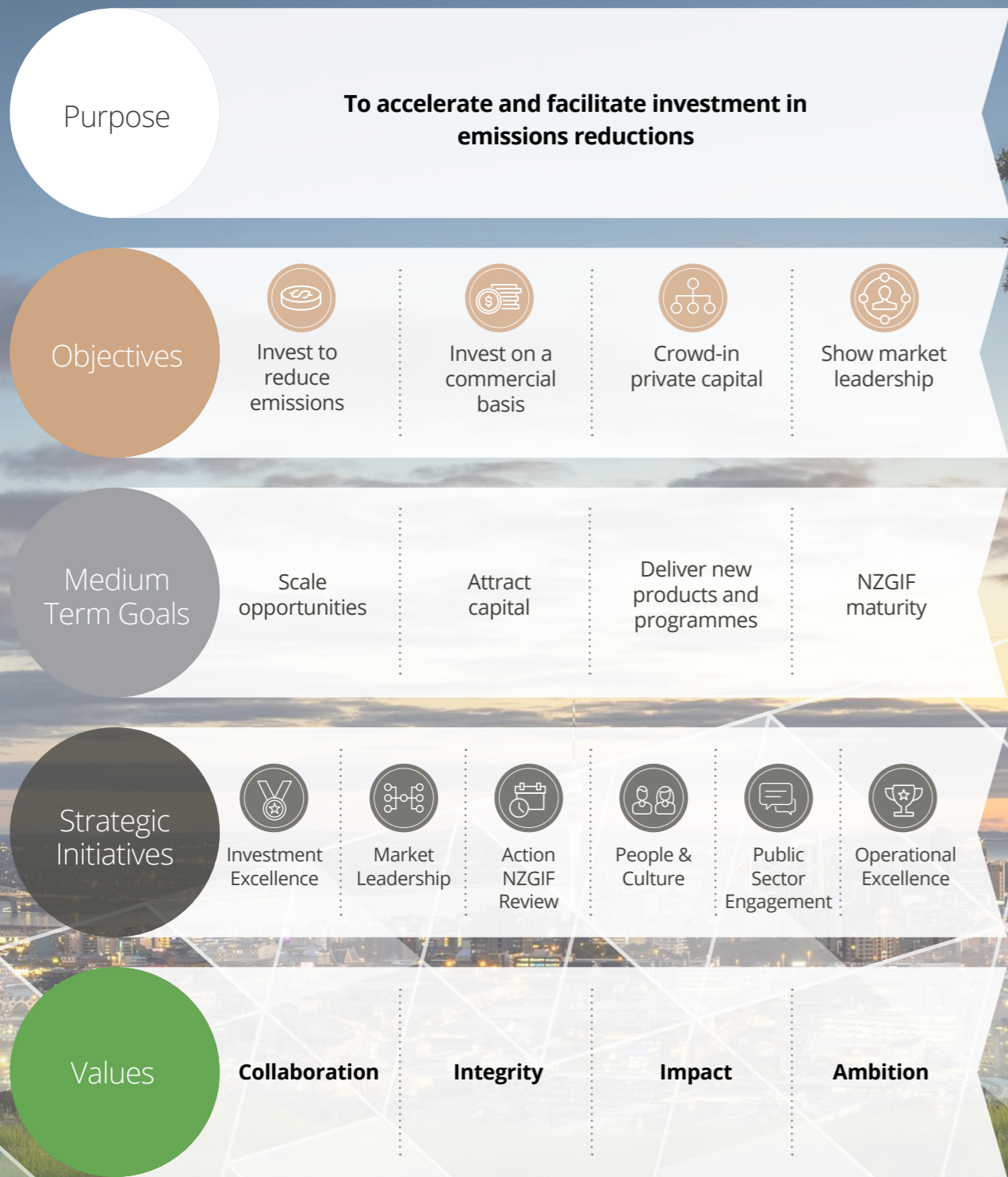
In 2015, New Zealand and every other United Nations member state joined the 2030 Agenda for Sustainable Development (the Paris Agreement), signing up to 17 sustainable development goals that provide a pathway to a more prosperous world.

NZGIF is a member of the Green Bank Network, established in Paris in 2015 in recognition of the need for private capital to lead the transition to a low-carbon economy.

While our mission directly aligns with Sustainable Development Goal 13: Climate Action, we expect to contribute to clean energy (goal 7), sustainable cities and communities (goal 11) – particularly in transport – and industry, innovation and infrastructure (goal 9). Our co-financing partnerships align with goal 17. Over time, we also expect to deliver on economic growth (goal 8) through domestic partnerships.



OUR STRATEGY



Our strategy recognises our stage of development and provides a roadmap for NZGIF to grow and mature alongside our growing balance sheet. We expect to invest significantly into NZGIF's maturity and growth over the next few years to ensure we can continue accelerating and facilitating investment in emissions reductions in Aotearoa New Zealand.

How we do it

Our strategic initiatives help us to deliver our strategy, grow our capability and to achieve our objective to accelerate the flow of investment to reduce emissions in New Zealand.

Strategic Initiatives



Investment Excellence

We deliver innovative products and programmes and operate an investment framework that targets market failure and drives co-investment and crowding-in of private sector capital



Market Leadership

We demonstrate to the market what effective green investment looks like and build the low carbon investment market



People & Culture

We invest in our people to deliver a culture of innovation and excellence



Action NZGIF Review

We are responsive to the recommendations of our five yearly review.



Public Sector engagement

Our expertise is recognised and our voice sought. We help to shape the climate finance discourse in New Zealand



Operational Excellence

Our governance, processes and systems enable our growth and delivery of our strategic objectives

While our strategic initiatives will evolve as we grow and mature, over the next four years we expect to:

- Invest in our people, processes and systems to enable NZGIF to mature and grow alongside its growing balance sheet
- Grow our capability to engage and influence the wider system
- Continue to assess our investment strategy to ensure we are being effective at crowding-in private capital and addressing market failure
- Evolve our risk operating model appropriate for an investment business of NZGIF's size, risk profile and mandate
- Strive to maintain and increase profitability while ensuring our investments meet our objectives and those of our shareholders
- Make direct investments and recycle capital into new opportunities
- Leverage the Crown's investment in NZGIF to increase the amount of capital available for NZGIF to invest
- Develop and deliver new financial products and programmes to crowd-in private capital as well as attract co-investment in NZGIF's direct investments
- Continue to develop approaches to responsible investment
- Invest in our Te Ao Māori capability

NZGIF Maturity

Our continued investment into NZGIF provides the foundation from which we can accelerate our progress towards our four-year goals and our longer term objectives. We make these investments to ensure NZGIF has the right level of capability and capacity commensurate to our maturity as an organisation and our growing balance sheet.

Our company embraces continuous improvement while remaining committed to delivering lean and agile business processes, championed by our Board and executive.

Over the next four years we will continue to invest in our leadership, culture, diversity and engagement workstreams to ensure that we are well positioned to support the growth of NZGIF and to demonstrate best-practice to the market.

We will also continue to invest in our technology and data management platforms, and to ensure our people are supported by appropriate business, financial and risk management tools and frameworks to enable us to accelerate our progress toward our long-term objectives. This includes leveraging technology and insights to inform our investment decisions, as well as streamlining our operations to maximise efficiency.

Our investment approach

NZGIF's purpose is to accelerate the flow of capital to investment that can reduce emissions. We seek to accelerate and facilitate decarbonisation in our target sectors by working with and investing in businesses with whom we share strategic and values based alignment to achieve climate change outcomes for New Zealand.

However opportunities in these sectors vary greatly with respect to the availability and commerciality of low carbon technology, and other factors.

We therefore take a long term view that acknowledges that decarbonisation outcomes can take time to achieve. In doing so we adopt an investment strategy as follows:

- NZGIF will pursue the best investments at a given time that meet our mandate in any of our target sectors;
- NZGIF will continuously monitor our target sectors as they evolve; and
- NZGIF may choose to take different approaches – including regarding risk appetite – in different target sectors, in order to best address these sectors at a given time.

We recognise the importance of incorporating Te Ao Māori values into our business strategy. By recognising and respecting the unique cultural perspectives and practices of Māori, we can build stronger relationships with customers, employees, and communities. We believe that embracing Te Ao Māori values including kaitiakitanga, manaakitanga, and whanaungatanga will lead to greater innovation, sustainability, and overall success for NZGIF.

NZGIF invests its capital to meet its objectives and resolve the broad New Zealand climate finance market failure. Our flexible mandate and investment strategy ensure we can have:

- Innovative (fit for purpose) financing terms
- A higher risk tolerance than many commercial financiers (if appropriately priced)
- The ability to fulfil multiple parts of the capital stack (e.g. senior debt, subordinated debt, and equity), and take positions that facilitate co-investment from other parties
- The ability to provide off-balance sheet support e.g. guarantees and letters of credit
- Potential to facilitate the introduction and distribution of global GHG reduction solutions in New Zealand
- The mandate to facilitate co-funding solutions

INVESTMENT SELECTION AND APPROVAL PROCESS

Our investment selection and approval process is a three phased approach, specifically designed so that:

- 1 Eligibility criteria are limited in number and reflect high-level constraints for NZGIF;
- 2 Consistent with the need for a flexible investment strategy, our Board and Management are provided significant discretion in screening and selecting preferred investment opportunities; and
- 3 Much of the documentation and detailed due diligence necessary to support a proposed investment is performed after Phase 2, when the opportunity is both deemed eligible and has been selected and approved to take forward. This limits unproductive use of NZGIF and counterparty resources.

Investment Selection and Approval Process



OUR TARGET SECTORS

Our investment phases

1. **Phase 1** – high-level eligibility criteria screening
2. **Phase 2**
 - a. Initial investment screening for:
 - i. Risk and return; and
 - ii. Mandate eligibility
 - b. Detailed investment screening and selection approval by:
 - i. Conducting due diligence on the fundamentals of the opportunity; and
 - ii. Board agreement to an in-principle investment decision, prior to:
3. **Phase 3** – final investment approvals and execution via:
 - i. Detailed due diligence;
 - ii. Final Board consideration and approval; and
 - iii. Transaction documentation and execution; to reach financial close.

This investment approach provides a process to put NZGIF's investment strategy into practice and sets the necessary framework for NZGIF to realise its objectives.

Our Investments

NZGIF has two main approaches to accelerating investment in the market: direct investment and crowding-in additional flows of private capital, including through the creation of financial products and programmes.

Financial products and programmes are investment structures that are designed to meet the requirements of different institutional investors which NZGIF can use to crowd-in private capital.

Direct Investment

We use different investment instruments – such as equity, debt and others – as appropriate for any particular investment opportunity.

We always consider other key investment parameters, such as the term of investment and its security, to maximise the likelihood of success for our investments while seeking an appropriate risk-adjusted return.

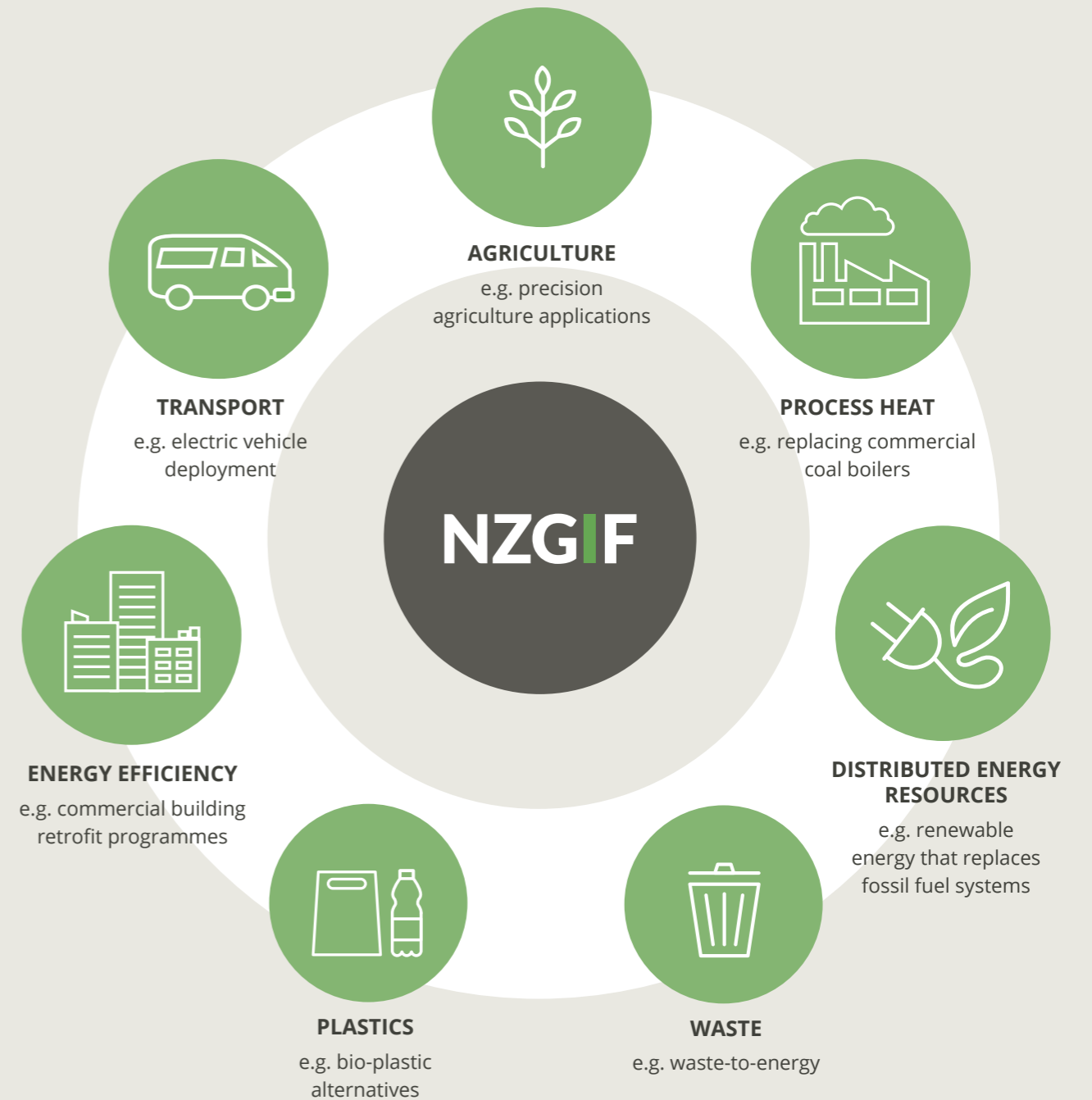
Our aim is to limit equity investment exposures to no more than 50 percent of our total investment portfolio. In addition, it is our policy not to allocate more than 33 percent of our capital to any one technology or industry, and no more than 20 percent of our capital to any one counterparty.

End-to-end direct investment is a process; however it is not a linear process. Opportunities can change and shift as counterparties are brought to the table on any one transaction, details negotiated, financials analysed, and due diligence completed.

Where we consider that an investment will result in NZGIF having “substantial influence” over a company for the purposes of section 100 of the Crown Entities Act 2004, we:

- ensure that this is recorded in Board artefacts; and
- provide written notice to NZGIF's Shareholding Ministers.












Target sectors for investment









INVESTMENT PORTFOLIO

NZGIF's current portfolio is a mix of debt and equity investments across six sectors, with a focus on transport and distributed energy resources.

2020-2022 investments

 <p>CentrePort June 2020 Infrastructure</p> <hr/> <p>\$15m green credit facility</p>	 <p>Thinxtra August 2020 Energy efficiency</p> <hr/> <p>\$1.1m equity investment</p>	 <p>Carbn Group October 2020 Transport</p> <hr/> <p>\$16.8m hybrid investment</p>	 <p>ESP November 2020 Energy efficiency</p> <hr/> <p>\$2.7m equity investment</p>
 <p>solarZero Residential April 2021 Distributed energy</p> <hr/> <p>\$10m mezzanine debt facility</p>	 <p>solarZero Commercial November 2021 Distributed energy</p> <hr/> <p>\$10m senior debt facility</p>	 <p>NZ Post December 2021 Transport</p> <hr/> <p>\$10m mezzanine debt facility</p>	 <p>solarZero Schools December 2021 Distributed energy</p> <hr/> <p>\$8m senior debt facility</p>
 <p>Zenobē April 2022 Transport</p> <hr/> <p>\$20m debt facility</p>	 <p>TNUE Ltd May 2022 Agriculture</p> <hr/> <p>\$2.5m equity investment</p>	 <p>ESP May 2022 Energy efficiency</p> <hr/> <p>\$1.75m equity investment</p>	

Recent investments

 <p>Panasonic / solarZero Letter of Credit September 2022 Distributed energy</p> <hr/> <p>\$10m standby letter of credit</p>	 <p>Solagri Energy December 2022 Distributed energy</p> <hr/> <p>\$10m debt facility</p>	 <p>Thundergrid January 2023 Transport</p> <hr/> <p>\$1m debt facility</p>	 <p>Kinetic March 2023 Transport</p> <hr/> <p>\$50m debt facility</p>
 <p>Ruminant BioTech May 2023 Agriculture</p> <hr/> <p>\$2.5m equity investment</p>	 <p>Kayasand May 2023 Infrastructure</p> <hr/> <p>\$3.5m equity investment</p>		

Estimating the emissions impact of our investments

NZGIF's Emissions Benefit Report, first published in 2022 and available on our website, outlines our approach to estimating the emissions benefits of our investments and details estimated emissions benefits of our investments over the period of our investment.

Our emissions impact estimation methodology was developed in line with practices developed by members of the Green Bank Network, particularly Australia's Clean Energy Finance Corporation (CEFC) and the UK's Green Investment Group.

The emissions impact is estimated for every investment at the time the investment is made, using assumptions available at that time.

These assumptions include, amongst others:

- likelihood of customers transitioning to EVs over time in the absence of the intervention (Sustainable Fleet Finance, Thundergrid)
- average kilometres travelled (Sustainable Fleet Finance, CentrePort)
- projected customer acquisitions and growth based on business plans (Sustainable Fleet Finance, solarZero, ESP)
- average generation capacity of solar panels (solarZero, Solagri Energy)
- use of forecast grid average emissions factors
- an equity investment adjustment to take into account uncertainties around business plan projections (ESP) (in line with green banks' practices)

We do our best to form a complete picture of emissions reductions based on available data. Sometimes the data is not sufficient to accurately estimate lifetime emissions; in these cases, more accurate data may be obtained over time.

We periodically commission independent reviews of our estimation methodology. In terms of NZGIF's investments, we also monitor these and update our estimates accordingly to ensure they are in line with actual performance.

In line with other green banks, NZGIF reports 100% of the emissions impact of a project or company it has financed in the aggregate investment lifetime reduction estimates, not the proportionate share.

MEASURING OUR PERFORMANCE

We are driven by our long term objectives and consistently assess our performance against them.



Invest to reduce emissions

Desired Outcome

- **A well-functioning green financing market is established**

Climate finance is one of the key drivers of New Zealand's decarbonisation. NZGIF's direct investment capital and co-investment from private investors is an effective vehicle to accelerate our journey towards a low carbon future.

Measures

Available capital to facilitate New Zealand's decarbonisation

The NZGIF investment framework is fit for purpose and consistently delivers against commercial and public policy objectives

Cumulative estimated emissions benefits achieved through investments



Invest on a commercial basis

Desired Outcome

- **NZGIF's portfolio level benchmark return of two percent over the five year government bond rate is met and exceeded**

Investing on a commercial basis and demonstrating the economics of low emissions investments is a critical part of our mandate. As a commercial investor, NZGIF does not subsidise private business. Our investments demonstrate to the market that decarbonisation projects can generate attractive returns for capital providers and be profitable for the entities undertaking them.

Measures

Return on deployed NZGIF investment capital net of transaction costs



Crowd-in private capital

Desired Outcome

- **The amount of private sector capital to support decarbonisation increases**

One of NZGIF's primary objectives is to attract private capital to the low emission investment market. This is called "crowding-in" and can take a range of forms:

- Co-financing, when other investors participate at the same time as NZGIF in a particular transaction
- Unlocking additional capital from existing investors through our participation
- Capital recycling, when NZGIF exits an investment to be replaced by another investor
- Aggregating or structuring investments into financial products that others can invest in
- Guarantees (or similar) where the investments of third parties are supported by NZGIF making legal commitments

As well as co-financing transactions, crowding-in can occur after NZGIF's initial investment. We continuously assess and develop new mechanisms to grow the amount of crowded-in finance.

Measures

The quantum of third-party co-investment at a portfolio level

The products and programmes released into market are effective at crowding-in private capital as demonstrated by an enhanced ratio of private capital



Show market leadership

Desired Outcome

- **NZGIF is active in the climate finance dialogue, provides the market with useful information and engages with market participants**

NZGIF plays an important role in the development of the low emissions investment market, not only through investment but also by disseminating relevant information to market participants and through a range of market engagement activities. We are an engaged participant in the New Zealand climate finance dialogue.

Measures

Regular publishing of relevant information to the Market including information about emissions benefits of our investments

External stakeholders hold a consistent view that NZGIF is performing against its core objectives

NZGIF organisational capability

Desired Outcome

- **The maturity of NZGIF systems and processes reflects our growing portfolio of investments**

We expect to make significant investment into NZGIF's maturity and growth over the next few years to ensure we can continue to accelerate and facilitate investment in emissions reductions.

Measures

The people, processes and technology that support and enable investment are effective and efficient, and evolve to meet our enduring objectives

NZGIF is responsive to the outcomes of our five-year independent review and invests into its governance, processes, capability and systems accordingly

RISK AND FINANCIAL MANAGEMENT

Risk management

NZGIF has developed an approach to risk management that is tailored to its unique characteristics as a Crown-owned green investment bank. This involves both formal risk structures and day-to-day dynamic operational risk management by the leadership team. We have effective engagement between management, the Audit and Risk Committee and the Board. Management and Board approvals built into the investment process provide an additional layer of operational risk management.

NZGIF uses a hierarchical risk framework to describe the different risks it faces. The hierarchical nature of the taxonomy means that data and information about risk can be aggregated and disaggregated to better understand NZGIF's risk position.

The 2022 NZGIF Review made a number of recommendations with respect to NZGIF maturing our risk processes and procedures. These recommendations will form part of the NZGIF Review organisational work programme through 2023-2024.

NZGIF's Risk Operating Model includes the governance arrangements, policies, processes, systems and internal controls that it has put in place to manage its risk environment, including:

- Investment risks
- Enterprise risks
- Strategic risks

The table below summarises NZGIF's risk framework.

Investment Risks	Enterprise Risks	Strategic Risks
• Counterparty risk	• Internal fraud and misconduct	• Strategic objectives
• Liquidity risk	• Financial crime	• Stakeholder management
• Market risk	• Privacy and cyber security	
• Strategic risk	• Employee health, safety, and wellbeing	
	• Resource management	
	• Compliance	
	• Business disruption	
	• Climate change risk	

The Board maintains a **Risk Appetite Statement** that classifies risks into one of three categories:

- Investment risks that NZGIF accepts as an investment entity, and which it manages in order to meet its four objectives
- Organisation-wide risks that NZGIF has a very limited tolerance for and which it seeks to minimise
- Organisation-wide risks which NZGIF does accept to a degree and which it manages to acceptable levels

NZGIF's Risk Management Framework (RMF) describes the Risk Operating Model that has been put in place to ensure that NZGIF's people, processes, and technology are aligned to effectively manage risk. The RMF details the governance and management arrangements, policies, systems, procedures and data that NZGIF employs to identify, monitor, manage and mitigate investment risks, enterprise risks and strategic risks. The components of NZGIF's RMF are illustrated on page 32-33.

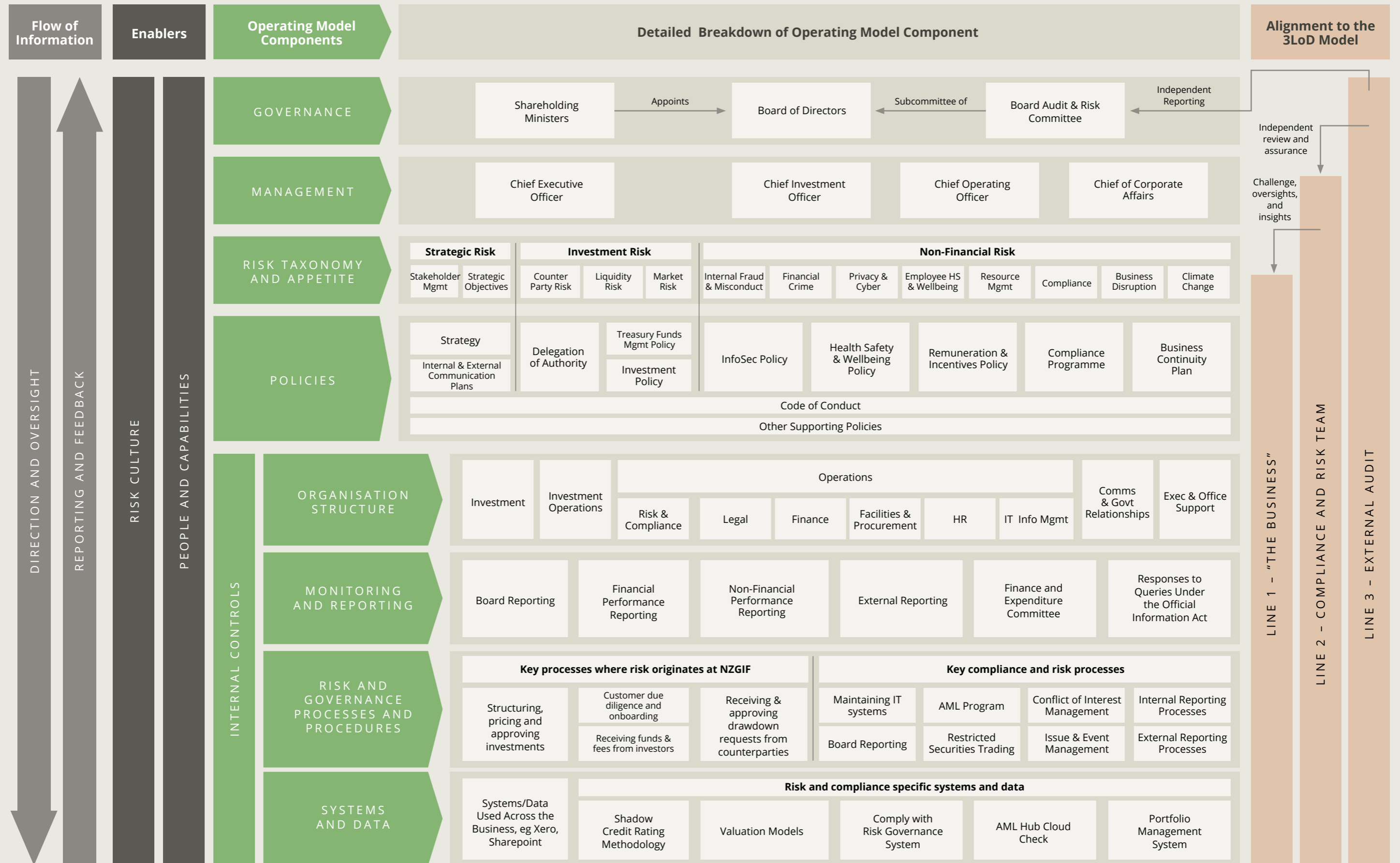
Financial management policies

NZGIF's financial statements are prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirements to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

NZGIF's financial statements are prepared in accordance with Tier 2 Public Benefit Entity (PBE) accounting standards, and disclosure concessions have been applied. The company has elected to report in accordance with Tier 2 PBE accounting standards as the company is not large and does not have public accountability as defined in the Accounting Standards Framework.

Under the Companies Act 1993 (s201), NZGIF is required to complete and submit its financial statements within five months of its balance date of 30 June. For fiscal reporting purposes, NZGIF is required to submit its annual audited report and accounts to the Treasury. NZGIF also provides quarterly updates to Shareholding Ministers.

NZGIF Risk Management Framework



MAINTAINING AN EFFECTIVE AND CAPABLE ORGANISATION

We at NZGIF understand the importance of maintaining an effective and capable organisation to deliver on our objectives. To maintain accountability to our shareholders and the New Zealand public, we are committed to excellence in every aspect of our operations.

This includes attracting and retaining skilled and motivated employees, fostering a culture of innovation and continuous improvement, and investing in the necessary resources and infrastructure to support what we do.

Capability and operations

NZGIF's staff are largely drawn from the finance sector, with financial analysis, investment structuring and financial operations experience, reflecting NZGIF's role as a specialist investor. Our people require specialist investment and debt management expertise and a broad range of skills and experience across private and public debt capital markets.

At NZGIF, we live by our values and we aim to recruit people with a shared commitment to accelerating New Zealand's transition to a low emissions economy. As of 30 June 2023, NZGIF had 27 FTE including staff and contractors.

Health, Safety and Wellness

NZGIF is committed to ensuring the health, safety and wellness of its people and encourages active participation from all employees in maintaining a safe and supportive environment.

NZGIF communicates health, safety and wellness advice to staff on a regular basis, provides an annual wellness benefit to staff and maintains a full set of policies and procedures. Health, safety and wellness are monitored by Management and reported to NZGIF's Board via a People & Culture Committee that meets throughout the year.

Ensuring NZGIF is a good employer

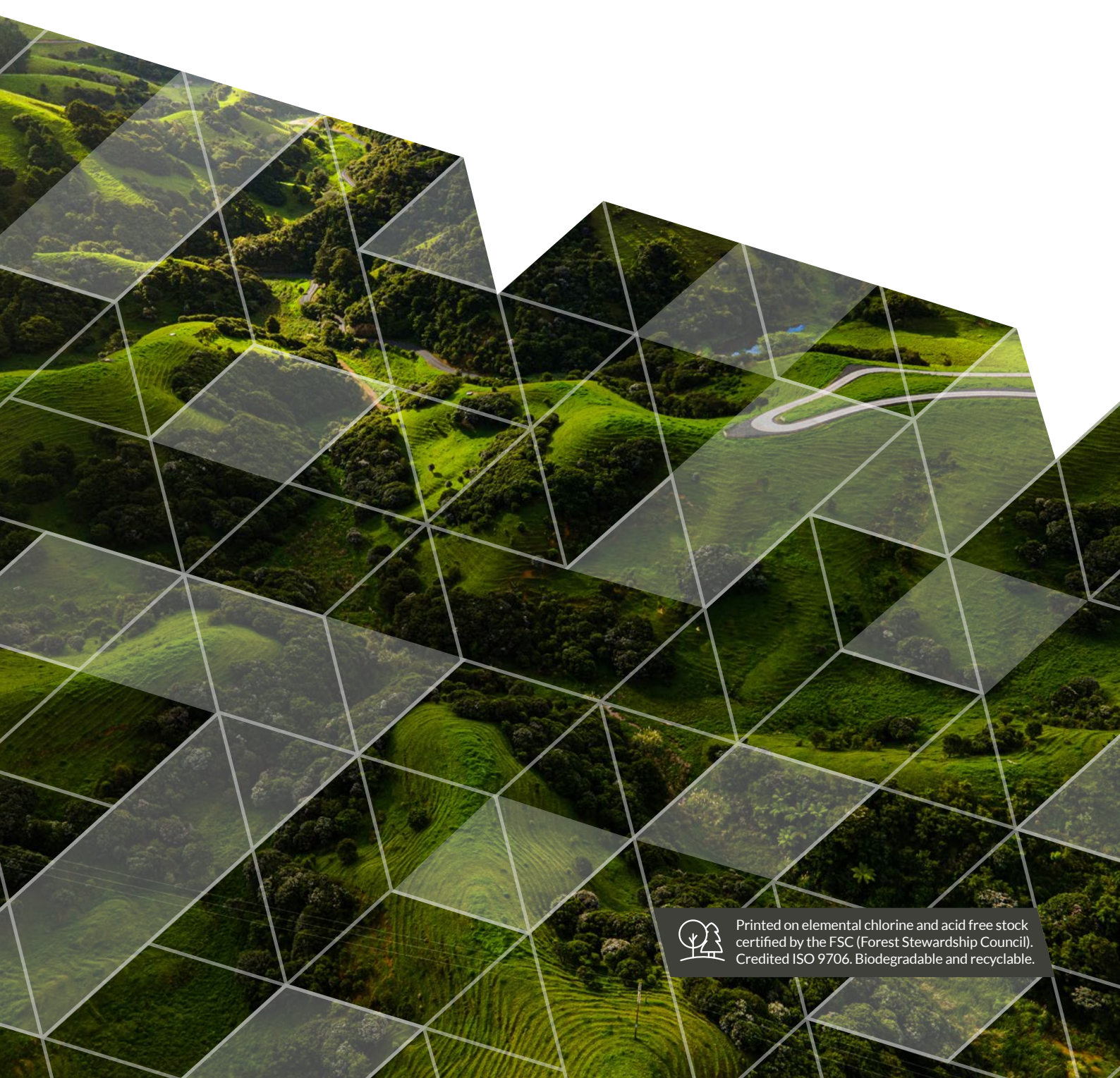
NZGIF offers a flexible working environment that enables staff to balance work, family and other commitments. NZGIF supports staff to learn and develop their commercial acumen and leadership capability, according to their individual needs.

Staff engagement is critical to our success. At NZGIF, we value diversity and believe it is essential to our success. We strive to create a workplace that celebrates differences and fosters creativity and innovation. We are committed to providing equal opportunities for all employees and ongoing education to improve our diversity and inclusion efforts.

NZGIF is committed to upholding its responsibilities as an Equal Employment Opportunities (EEO) employer and creating a workplace that attracts, retains and values diverse employees.

NZGIF has a zero-tolerance approach to all forms of harassment and bullying and has policies in place to deal with harassment and bullying complaints should they arise.

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